The following pages include editorial changes proposed to the exposed document by TX. The majority of the track changes are in one color, and represent what was exposed. The other (and substantially smaller number) track changes are in another color, and represent the editorial changes proposed by TX. The changes proposed by TX were reviewed by NAIC and will be incorporated as edits into the next version.
V. Group-Wide Supervision – C. Insurance Holding Company System Analysis (Lead State)

Lead State Holding Company Analysis

Name of Insurance Holding Company System ____________________

Understand the Insurance Holding Company System

1. Evaluate and document below an understanding of the insurance holding company system. Consider using the following if available and/or applicable: statutory Schedule Y, Form B Registration Statement, Own Risk and Solvency Assessment, and financial filings of the insurance holding company system and/or person. Document an understanding of the following:

a. Ultimate controlling entity(ies) or person(s).

b. Nature and level of complexity of structure (e.g., public, non-public, mutual, complex, simple, etc.).

c. Business segments and percent of overall revenue per segment (Use segments as defined in the most current 10K).

d. Number of insurers and respective jurisdictions.

e. Level of international insurance activities (including branches).

f. The existence of captive insurance vehicles within the insurance holding company system as well as their specific purpose and domicile. What type of financial reporting is available/provided to the state of domicile for the entities? What risks do these captives pose to the insurance holding company system?

g. Nature and function of material non-insurance legal entities that pose a material risk to the insurance holding company system. Are there material risks presented by these non-insurance entities? (Note: It is recommended that the insurer supply information via the non-insurance company grid provided [Excel] to assist with this determination. See procedure 2 to determine how to tailor this grid to the risks of the group and therefore the focus of the remaining analysis)

h. Recent news and press releases that identify changes in the holding company or financial results.

i. Potential risks as a result of the aforementioned considerations.

j. Obtain and review information to consider whether high-level management of the insurance holding company system is suitable for the respective positions held (For example, does the individual have the appropriate background and experience to perform the duties expected of him/her?). Any suitability and other governance-related concerns identified should be communicated in writing to other relevant regulators both domestically and internationally. Follow-up on any previously-identified corporate governance issues of the insurance holding company system.

2. Based upon the information obtained in procedure 1 (in particular procedure 1i), and in combination of prior knowledge of the group, determine the focus of this year’s annual holding company analysis by assessing the information received in procedure 1g. Specifically consider the information obtained regarding both insurance and non-insurance entities and their impact on the entire group. Additionally, include a summary within this analysis, or within some other
Evaluate the Overall Financial Condition of the Insurance Holding Company System

For the following financial assessment procedures consider using the following, if available and/or applicable: Form B, shareholders’ report, combined financial statements, quarterly and annual Securities and Exchange Commission (SEC) filings, International Financial Reporting Standards (IFRS) filings, personal net worth statements, audited financial statements, management assessment on internal controls, auditor’s assessment on management’s assessment on internal controls, media releases, confidential information from other regulatory/supervisory bodies, and any other available sources. If the domestic insurers in an insurance holding company system consist of only run-off companies, the domestic regulator, at his or her discretion, should determine the value, if any, of performing an insurance holding company system analysis. If it is determined that an insurance holding company system analysis would be of no added value, this determination should be documented.

2.3. If publicly traded, review the insurance holding company's stock price history. Has the value of common stock declined significantly over the past year? If "yes," explain the reasons for the negative trend.

3.4. Assess the insurance holding company’s sources of capital.

4.5. **Profitability:** Evaluate the insurance holding company system’s operating and net income over the past three years and document any trends as well as the primary drivers of those trends.

5.6. **Financial Position:** Evaluate the insurance holding company system’s shareholder’s equity (or equivalent), and document any negative deterioration.

6.7. **Leverage:** Review the insurance holding company system’s leverage positions, and document any negative trends and/or deteriorating ranges.

7.8. **Liquidity:** Evaluate the insurance holding company’s liquidity and document any negative trends and overall strength.

8.9. **Derivatives:** Evaluate the use of derivatives and their purpose. Are the derivatives being used for the hedging of business or to enhance investment yield? Does the level of collateral held for the derivatives contracts seem reasonable? Evaluate the trend of derivatives balances over the last two to three years and discuss any concerns.

Regulator/Supervisor Communication and Coordination and Supervisory College Considerations

9.10. Using the Lead State Report, identify the primary contact of other involved domestic states. Based on the analysis of the overall insurance holding company structure and the state’s preference, consider whether there is a need to request the confidential Insurer Profile Summary (IPS) report(s) from the applicable U.S. domestic states for insurers within the insurance holding company system, pursuant to the NAIC’s Insurer Profile Summary Sharing Best Practices. (For example: a state may consider using the NAIC Prioritization Summary Report to assess the need to request such reports.) If the IPS are requested, identify and document any material concerns or risks that were not covered elsewhere in this analysis.
Identify and document any other regulated entities within the insurance holding company system and the respective involved supervisor. (Note: Consider using General Interrogatories – Part 1, #8.1 through #8.4). Consider the following:

a. Does the size, complexity and/or interconnectivity of the entity with the insurance holding company system warrant communication with the respective regulator/supervisor? If “yes,” describe any communication between state, federal and international regulators that has been planned or initiated.

b. If there is international insurance activity, document which jurisdiction(s) is considered the group-wide supervisor(s) of the insurance holding company system.

c. Does the size, complexity and/or interconnectivity of the entity with the insurance holding company system warrant a potential supervisory college? If “yes,” describe any communication between state, federal and international regulators that has been planned or initiated.

d. Does the Department of Insurance (DOI) and/or other domestic state(s) within the group have a memorandum of understanding (MoU) to share confidential information with the involved supervisor(s)?

e. Have any federal and/or international regulatory action(s) been taken? If “yes,” describe.

f. Determine and document whether it is necessary to develop an overall understanding of the relevant regulatory and supervisory requirements of the authority and document accordingly.

If applicable, identify and document contact information for federal or international involved supervisor(s).

Establish a plan for communicating and coordinating with the domestic state(s) and other involved supervisors if significant events, material concerns, adverse financial condition or prospective risks are identified.

If your state is leading or participating in a supervisory college of the insurance holding company system, review the most recent information obtained as part of the supervisory college to determine if there are any areas of risk that require follow-up or additional analysis.

If applicable, review the insurance holding company system’s independent public audit report. Comment on the following:

- Auditor’s Opinion
- Notes to Financial Statements
- Management’s Assessment on Internal Controls
- Auditor’s Assessment on Management’s Assessment on Internal Controls

Document in this analysis any concerns that arose during the lead state’s evaluation of its domestic insurer(s) that in the opinion of the lead state, have an impact on the evaluation of the overall financial condition of the insurance holding company system.
V. Group-Wide Supervision – C. Insurance Holding Company System Analysis (Lead State)

Summary and Conclusion

Develop and document the insurance holding company analysis, including a summary and conclusion. In addition to each of the previously identified items, the summary and conclusion should identify the group’s:

- Significant events.
- Overall financial condition.
- Key strengths and weaknesses.
- Material concerns.

In developing a conclusion, consider the above procedures, as well as any other procedures that, in the analyst’s judgment, are relevant to evaluating an insurance holding company system under the specific circumstances involved.

Recommendations for further action, if any, based on the overall conclusion above:

- Obtain the insurance holding company system’s business plan.
- Obtain the insurance holding company system’s economic capital assessment, if available.
- Meet with the insurance holding company system’s management team and/or board of directors.
- Immediately communicate any concerns to the other domestic states to determine a plan of action to address concerns.
- Contact the insurer seeking explanations of additional information.
- Require additional interim reporting from the group.
- Refer concerns to the examination section for targeted examination.
- Meet with the insurance holding company system’s management team and/or board of directors.
- Other (explain).

Summary Recommendations/Conclusion

Analyst ________________ Date ________

Comments as a result of supervisory review.

Reviewer ________________ Date ________
Specific Procedures in Completing the Insurance Holding Company Analysis

Core Analysis Procedures

The insurance holding company analysis performed by either the lead state, or an agreed upon other designated state(s) is not required to follow any particular form. However, a narrative may be seen as the best form.

Procedure #1-2 are intended to be completed simultaneously, as each is anticipated to be informative to the other. In many cases, information obtained from prior years may not have changed, and may be best documented in a more permanent document regarding the group so as to limit the information that must be re-presented on an annual basis. That prior information can also be helpful in helping to determine the extent of information regarding individual companies (noninsurance and insurance) that needs to be collected from the group in accordance with procedure 1g and 2. The analyst should use such prior knowledge, as well as updated financial and nonfinancial information on the group, or members of the group, to help determine what information updated is requested from the group and its affiliates. The information requested is intended to be focused on the primary risks of the group, and changes in the group or economic environment which require additional information to evaluate. For example, a lead state that has previously identified possible concerns with the overall profitability of the group will commonly track measures of profits against some measure, and individual company by company information would be used by the lead state to monitor and better understand and continue to evaluate that risk. Another example may be a group for which the lead state has seen a substantial increase in business written without a corresponding increase in group capital. The lead state should use information from other filings (e.g. ORSA Summary Report and/or Form F) in understanding the business change, but may require further detail on the specific products and legal entities for which the business is written to fully understand and evaluate the change in risk. The exclusion or inclusion of entities from the focus of the group-supervision should be re-assessed annually.

Procedure #1 assists the analyst in documenting his or her understanding of the insurance holding company system. Various documents are available as a resource in helping to understand the insurance holding company system and its business purpose but it is also anticipated that much of this information will be accumulated and updated by the analyst through inquiries to the group.

As part of this review, the analyst should also consider on a regular basis whether high-level management of the insurance holding company system is suitable for the respective positions held. Suitability includes considering whether the individual has the appropriate background and experience to perform the duties expected of his/her position. Any suitability and other governance-related concerns identified should be communicated to other relevant state insurance departments (and also possibly with international regulators). The analyst should also follow-up on any previously-identified corporate governance issues of the insurance holding company system.

Procedure #2 assists the analysts in determining the focus of this year’s annual holding company analysis. A practical method of determining the entities to focus on may begin with some type of internal unaudited consolidating financial statements prepared by the group, although other more
simple methods could be used once the lead state had a better recognition of the size and risks of the individual legal entities. The analyst should also consider if there are other entities that are not included within the consolidated statements that pose a risk to the group, and for which the lead state analyst can only obtain qualitative information from the group in better evaluating such risks (such entities and these situations are presumed to be rare but can occur under some unique situations). The purpose of this step is to consider if there are any individual legal entities that can be excluded from the scope of group-wide supervision, since individual legal entities that are negligible to the group should be excluded. This procedure also assists the analyst in putting together a summary for other domestic states that would implicitly represent documentation to such states and therefore used as a starting point of a process that ensures there are no gaps or duplication in regulatory oversight between all of the states. Such process would conclude when the holding company analysis is distributed and reviewed by the other domestic states and the lead state receives no feedback which would suggest otherwise. Although duplication is expected to be rare, obtaining input from other domestic states regarding the focus of the analysis is considered appropriate since the group can have an impact on each of the domestic insurance entities.

Procedures #23–89 assists the analyst in determining and understanding the overall financial condition of the insurance holding company system which includes understanding profitability, financial position, leverage, liquidity and the organization’s use of derivatives (if applicable). These procedures, and any additional/supplemental procedures that are chosen from the list below, are generally the most critical aspect of the insurance holding company analysis. The following summarizes some approaches/issues for the analyst to consider when completing these procedures. In most cases, the analyst will require further information from the group in order to complete his or her evaluation of these key areas. Such information is necessary in part because no two groups are the same, and no two groups manage themselves in the same way. This includes, but is not limited to requesting individual company information where such information is necessary to understand the risk area to the group and where the focus of the analysis should be placed. This is the primary reason the states approach to group reporting requires only limited information. Consequently, much of the information that should be requested is centered more on the way the group manages itself and its risks.
Special Note: The following procedures do not supersede state regulation, but are intended to provide guidance and best practices for supervisory colleges; but also to identify some specific minimum procedures to be used by all U.S. lead states when merely additional guidance a state may consider useful when organizing or attending leading a supervisory college.

OVERVIEW
Background Information
On November 12, 2009, the Group Solvency Issues (E) Working Group (the working group) of the Solvency Modernization Initiative (E) Task Force endorsed as guidance the IAIS Guidance Paper on the Use of Supervisory Colleges in Group-Wide Supervision [October 2009] (the IAIS guidance paper). The working group supported the IAIS guidance paper in part because it recognizes the need for flexibility in the design, membership and establishment of Supervisory Colleges in accommodating the organizational structure, nature, scale and complexity of the group risks, and the level of international activity and interconnectivity within the group. The IAIS guidance paper discusses factors to consider in the implementation of a Supervisory College framework, including its form and membership, the role and possible functions of a Supervisory College, and the interrelationship between a designated group-wide supervisor and the Supervisory College.

Regarding the role and duties of the group-wide supervisor, the primary role of the group-wide supervisor is to facilitate coordination and communication between regulators. State insurance regulators recognize that the legal framework with regard to the role of the group-wide supervisor differs sometimes significantly from one jurisdiction to another and, therefore, the role of a group-wide supervisor within a Supervisory College will depend on the jurisdictions involved and should be specifically outlined at the outset to meet the expectations of the members of the Supervisory College. The working group’s support for the IAIS guidance paper can also be attributed to the fact that Supervisory Colleges by definition are consistent with state insurance regulators view regarding group supervision.

Additionally, IAIS document literature indicates that a supervisory college is a mechanism that intends to foster cooperation, promote common understanding, communication and information exchange, and facilitate coordination for group-wide supervision. The IAIS has also documented that potential benefits of supervisory colleges include:

- improving all the relevant regulators’ understanding of the group and its risks
- building relationships between relevant regulators, sharing regulatory approaches, and promoting cooperation and consensus
- interacting more effectively with a group’s management to gain insights into the group and to reinforce regulatory messages

International Expectations
In the wake of the 2008 global financial crisis, As the business of insurance has expanded globally, insurance regulators worldwide have determined that increased levels of communication, coordination and cooperation among regulators at Supervisory Colleges is vital to understanding risk trends that could impact financial markets including domestic insurers and policyholders in an increasing global insurance market. Although insurance companies and policyholders fared reasonably well during the recent global financial crisis, global policymakers see the enhancement of...
information exchange, cooperation and coordination amongst relevant supervisor regulators as a key component for enhancing the supervision of cross-border financial institutions.¹

In April 2008, the Financial Stability Forum (now the Financial Stability Board, or FSB) issued a report to the G7 Finance Ministers and Central Bank Governors setting out a comprehensive set of recommendations for strengthening the global financial system. One key recommendation therein was the operationalization and expanded use of Supervisory Colleges for certain global financial institutions.²

The International Monetary Fund (IMF) through its Financial Sector Assessment Program (FSAP) is assessing whether jurisdictions have enhanced regulatory cooperation and coordination through the development of Supervisory Colleges. The IMF 2010 FSAP of the U.S. financial sector made several recommendations for the insurance sector relating to this issue, stating that, “the U.S. should ensure that colleges of supervisor regulators for the U.S. groups with major international operations are established and functioning effectively—and led by U.S. regulators with appropriate insurance expertise.” The FSAP, relating to the insurance sector, assesses US compliance with the Insurance Core Principles (ICPs) of the IAIS. The NAIC’s Solvency Modernization Initiative (SMI) was put in place in 2008 and represents a critical self-examination of the U.S’ insurance solvency regulation framework and includes a review of international developments regarding insurance supervision, banking supervision, and international accounting standards and their potential use in U.S. insurance regulation. In this regard, state regulators have considered what international approaches are appropriate for the U.S. system by including aspects of ICP 23-Group-wide Supervision, and ICP 25-Supervisory Cooperation and Coordination.

Regarding the role and duties of the group-wide supervisor, the primary role of the group-wide supervisor is to facilitate coordination and communication between regulators. State insurance regulators recognize that the legal framework with regard to the role of the group-wide supervisor differs significantly from one jurisdiction to another and, therefore, the role of a group-wide supervisor within a Supervisory College will depend on the jurisdictions involved and should be specifically outlined at the outset to meet the expectations of the members of the Supervisory College. The working group’s support for the IAIS guidance paper can also be attributed to the fact that Supervisory Colleges by definition are consistent with state insurance regulators view regarding group supervision. The Insurance Holding Company System Regulatory Act (#440) provides a more specified approach to be used when determining a group-wide supervisor.

The following information is presented in order to describe issues related to supervisory colleges that may be necessary to understand the specific requirements found at the end of this section.

The various ICPs include requirements related to standards and guidance with respect to ICP 23-Group-Wide Supervision. The following summarizes one of those key standards:

¹ The statement from the G-20 Summit on Financial Markets and the World Economy, held in Washington, DC, in November 2008, states the following: “Supervisors should collaborate to establish Supervisory Colleges for all major cross-border financial institutions, as part of efforts to strengthen the surveillance of cross-border firms.”

At a minimum, the group-wide supervision framework includes, as a supplement to legal entity supervision, extension of legal entity requirements, as applicable according to the relevant ICPs, on:

- Solvency assessment (group-wide solvency)
- Governance, risk management and internal controls (group-wide governance)
- Market conduct (group-wide market conduct)

ICP 25-Supervisory Cooperation and Communication provides among other things, the following:

- “At present, it is not generally possible to consider or establish international legislation which grants legal power and authority to a group-wide supervisor across jurisdictional borders. It is important, therefore, that there are clear agreements (formal or otherwise) between all involved supervisors in order to allow the group-wide supervisor to fulfill its tasks and to ensure support from involved supervisors.”

- “Involved supervisors determine the need for a group-wide supervisor and agree on which supervisor will take on that role (including a situation where a Supervisory College is established).”

- “The designated group-wide supervisor takes responsibility for initiating discussions on suitable coordination arrangements, including establishing a Supervisory College, and acts as the key coordinator or chairman of the Supervisory College, where it is established.”

- “The designated group-wide supervisor establishes the key functions of the Supervisory College and other coordination mechanisms.”

- “The supervisor takes steps to put in place adequate coordination arrangements with involved supervisors on cross-border issues on a legal entity and a group-wide basis in order to facilitate the comprehensive oversight of these legal entities and groups. Insurance supervisors cooperate and coordinate with relevant supervisors from other sectors, as well as with central banks and government ministries.”

- “Coordination agreements include establishing effective procedures for: information flows between involved supervisors; communication with the head of the group; convening periodic meetings of involved supervisors; and conduct of a comprehensive assessment of the group.”

- “The designated group-wide supervisor understands the structure and operations of the group. Other involved supervisors understand the structure and operations of parts of the group at least to the extent of how operations in their jurisdictions could be affected and how operations in their jurisdictions may affect the group.”

- “The designated group-wide supervisor takes the appropriate lead in carrying out the responsibilities for group-wide supervision. A group-wide supervisor takes into account the assessment made by the legal entity supervisors as far as relevant.”

In addition to these items identified in ICP 25, it’s important to recognize other expectations may exist from regulators and the US state should determine how to address such expectations. The following may be common examples of consistency with the Group Wide Supervisor:
- set reporting requirements for the college, including specifying frequency (e.g., annual, quarterly, etc) and type (technical provisions, issues raised as a result of on-site inspections, intra-group transactions, outsourced activities).
- analyze data received from the group
- promote willingness to work together with other regulators
- provide guidance to other regulators on particular issues
- has the duty to improving college effectiveness as that is not within their purview. Therefore, it may be appropriate to encourage maximum participation from all members of the college.
- allowing college members to submit written comments prior to the college meeting if they are unable to attend due to resource constraints, timing of the meetings, language barriers, or any other reason, even though regulators of entities that are significant to the group are generally expected to attend.
- drafting minutes or action points for approval by the members
- circulating presentations and other materials for the meeting

U.S. Approach to Supervisory Colleges

The U.S. approach to group solvency assessment is discussed within the NAIC’s Financial Analysis Handbook—Holding Company Systems Analysis. This section contemplates a written summary analysis that considers any information available on the group, especially information from the 10K and 10Q Securities and Exchange Commissioner Filings for public companies (or similar financial information on non-public insurance groups). States looking for best practices in this area may wish to contact the NAIC Financial Analysis staff. Among other things, this section of the NAIC’s Financial Analysis Handbook requires the Lead State of all insurance groups operating in the U.S. to obtain an understanding of the entire holding company system; and evaluate the overall financial condition of the entire holding company system.

The evaluation of the overall financial condition of the entire holding company system includes assessing the profitability, leverage, liquidity and overall equity position of the entire holding company system. This analysis places equal importance on each of these items as opposed to placing a higher emphasis on particular items. The equal importance is considered appropriate given that capital markets typically consider each of these elements equally in their consideration of a group. The perspective of the capital markets is considered appropriate because the regulator must understand the limitations and risks within the insurer’s business and financing strategy (i.e., how much capital can be accessed from the capital markets based upon their view of the group) to develop an approach for dealing with any concerns regarding the group. State insurance regulators analyze and examine separately the capital of the group. This is commonly completed within the context of the prospective risk assessment during an examination. Such assessment is typically based upon the examiners review of the insurance groups risk management process and internal capital models where available. Through testing, the examiner is able to determine the appropriateness and effectiveness of such strategies, and make an overall assessment of the group’s risk management processes. Similar assessments are made by state insurance regulators regarding the group’s governance and internal controls. Some states update these assessments through periodic meetings with management when they inquire regarding strategic changes. The documentation of these assessments are formalized in the Group Profile Summary which will be updated once state insurance regulators begin to receive the Holding Company Form F report and Own Risk and Solvency Assessments (ORSA) summary report. However, state insurance regulators do not approve or deny the use of such strategies or models, but rather understand and consider them in their overall assessment of the risk of the group. State insurance regulators view the use of such strategies or models as management’s decision, and although the regulator may make recommendations for improvements including potentially missing elements or inappropriate assumptions, they generally do not require the group to use other methods unless the group’s processes and risks are deemed hazardous to policyholders.
State insurance regulators should be prepared to discuss the details of their examination of the group’s governance, risk management and internal controls processes; including their assessment of the risks inherent in the group’s processes. However, state insurance regulators have found that it’s equally important for the insurance group to provide its own overview of its processes so that all members of the college are familiar with the same general information. State insurance regulators find that specific discussion regarding regulators views of these risks is more beneficial to the Supervisory College.

STRUCTURE

**Determination of the Group-Wide Supervisor**

- “In principle the supervisor in the jurisdiction where the group is based and where that supervisor has the statutory responsibility to supervise the head of the group should be first considered to take the role of the group-wide supervisor.”

- “The location of the group's head office, given that this is where the group's Board and Senior Management is most likely to meet, and ready access of the group-wide supervisor to the group’s Board and Senior Management is an important factor.”

- “Where the registered head office is not the operational head of the group, the location where the main business activities of the group are undertaken; and/or main business decisions are taken; and/or main risks are underwritten; and/or group has its largest balance sheet total.”

In addition to the above, other criteria to consider include where the group has the most substantial insurance operations, the origin of the insurance business and regulatory resources available for serving as the group-wide supervisor. Once there is some clear distinction, to the extent the criterion suggests it’s a state insurance regulator, discussion with the insurance group should take place and the state insurance regulator should consider establishing the first Supervisory College. In general, once the group-wide supervisor is determined, it generally shouldn’t be changed, unless there is a material change in the group’s business or operations that were considered in originally determining the group wide supervisor.

In addition, once the state regulator has been determined to be the group-wide supervisor it may publish the determination and that it was endorsed by the Supervisory College for the group on its website.

**Organizational Procedures Performed Before Conducting a Supervisory College**

The information included in The above bullets under the heading ICP 25 show some of the key considerations of organizing a Supervisory College before the college meets for the first time. Although there is no international legislation that provides that the group-wide supervisor has any authority over the sovereign authority of the jurisdiction, insurance regulators across the world have agreed that having one group-wide supervisor that is responsible for coordination and communication among supervisors within the group strengthens the global insurance regulatory system. The international criterion for determining a group-wide supervisor (See model #440), and similar expectations internationally, does not materially differ from the criteria contained within the NAIC Financial Analysis Handbook for determining the Lead State. Various information Hence, the below is taken from the IAIS guidance paper and represents a summary of some of the factors to consider.

**Supervisory College Membership**

Supervisory College members are generally the states/jurisdictions where the largest insurance entities within a group are domiciled, premium underwritten and key corporate decision-makers in the organization are located. However, also worth considering is the materiality that the group has on a
particular jurisdiction. The determined state insurance regulator/supervisor should begin to consider who the appropriate members of the college are; recognizing that determining the materiality of a group to a particular jurisdiction may be difficult.

While there is a need to include as many members as possible, it must be balanced with the need to maintain a manageable, operational Supervisory College. In this regard, it may be appropriate to establish a tiered membership approach. This approach suggests that regulators that attend a Supervisory College be referred to as “Tier 1 or Tier 2” jurisdiction. If jurisdictions that have primary authority (e.g. state/country of domicile) for insurers that have direct or gross premium greater than 5% of the entire group it may be appropriate for this “Tier 1” cutoff. The state regulator should also consider requesting feedback from the insurance group regarding who it believes should be included in the “Tier 1,” since they will have more specific data on the premiums written in each jurisdiction. In most cases, this type of approach will limit the number of jurisdictions involved. However, it may also be appropriate to place a limit on the total number of individuals participating from each jurisdiction. Some state regulators suggest a maximum of 75 regulators attending a Supervisory College and believe that 50 is a more manageable number to maximize the effectiveness of the college.

In some cases, trying to maintain a specific size result in some smaller jurisdictions that may be small to the group, but whose market is materially impacted by the group, may be excluded from the actual college meeting. However, the group wide supervisor must determine a means for such jurisdictions to be involved with the college through other means (e.g. follow up correspondence with all jurisdictions after a college meeting has taken place which could include the use of different secure IT tools).

States who are group wide supervisors should consider developing, or requesting the group to develop, a map of the all of the entities within the group and the corresponding jurisdiction for each entity. This mapping can be further enhanced by providing additional information that identifies the actual primary contact for each jurisdiction, as well as other participants from the same jurisdiction, and various contact information. When developing such a list, it’s important to consider branches or other aspects of the group that may not be included on an organizational chart. All of this information should be kept up to date at all times, and made available through correspondence to all college members, and may be more easily distributed through a secure IT tool.

The use of such tools are becoming more common, and in addition to requiring confidentiality of data and controls around the sharing and updating of information, they must also allow for the permanent storage of data and they must be efficient to administer. Similar issues may exist as it pertains to other forms of communication, such as conference calls.

**Information Sharing Agreements**

One of the most critical, and often one of the most time consuming and lengthy important tasks undertaken by the group-wide supervisor is drafting, distributing and obtaining executed information sharing agreements from the participating supervisory college membership. Therefore this activity should be initiated at the outset of planning and organizing a supervisory college. Having one information sharing agreement is preferred.

The group-wide supervisor is responsible for the regular information collected by the Supervisory College and any notifications that should be made to it (from both supervisors and the group). The Supervisory College should agree to the frequency of which information is provided and any information gathering should be coordinated in a way so as to avoid duplicative requests and to reduce the burden on a group.
State insurance regulators should understand the difficulty and the amount of time it may take to get these agreements in place. This difficulty can lead to significant delays in beginning a new Supervisory College and therefore, state insurance regulators should take action to complete these information sharing agreements as soon as possible. The group wide regulator must recognize however that such agreement is needed not only for college meetings, but also correspondence that may be made available to all college members (sometimes a wider group than jurisdictions attending the meetings) subsequent to a meeting.

A written information-sharing agreement between the involved supervisors must be agreed upon and entered into by all parties wishing to participate in the Supervisory College. This agreement can be achieved in various ways, such as: (1) through bilateral memorandums of understanding (MoUs) among all of the jurisdictions involved; (2) through a Supervisory College-specific agreement; or (3) through the IAIS multilateral memorandum of understanding (MMoU) which establishes a formal basis for cross-border cooperation and information exchange amongst supervisors around the world to enhance supervision of Internationally Active Insurance Groups (IAIGs).

The objective of the MMoU is for a signatory authority to be able to request from and provide to any other signatory authority having a legitimate interest, information on all issues relevant to regulated insurance companies (including licensing, ongoing supervision and winding-up where necessary) and to other regulated entities such as insurance intermediaries, where appropriate. The MMoU is essentially designed as an alternative vehicle for having every jurisdiction sign a bilateral confidentiality agreement with every other jurisdiction. Further, it facilitates the exchange of confidential information in the Supervisory College context. If all members of a Supervisory College are also signatory authorities of the IAIS MMoU, it would effectively eliminate the need for every Supervisory College member to enter into a bilateral agreement with every other Supervisory College member and/or the drafting of a Supervisory College specific agreement in order to ensure that confidential information can be freely exchanged between Supervisory College members. This mechanism has the potential to significantly improve and expedite the cross-border exchange of information between supervisors.

In addition to the legal requirements for information sharing, there are also practical requirements or expectations to consider. It should be understood that some jurisdictions and some insurance groups may have different views on communication. For example, some jurisdictions exclude people such as the holding company analyst, or the examiner in charge on the group. Therefore, it may be appropriate to describe to other regulators why department financial regulation staff may be involved in the college. In some jurisdictions, regulators seek permission from the insurance group before releasing certain group information that may be sensitive. These are simply examples of the items to consider since they can have an impact on trust, which is key to any successful long-standing relationship.

Chairing the Supervisory College/other Supervisory Duties
As previously noted, an immediate expectation of the group-wide supervisor is serving as the chair of all Supervisory Colleges. In addition to serving as the leader for the college, the chair is expected to complete a number of activities prior to and subsequent to each college. The following lists some of these activities:

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iii A “signatory authority” is defined in the IAIS MMoU Article 2 as “any insurance industry supervisor who is a IAIS member or is represented by an IAIS member [reference made here to the NAIC per the IAIS Bylaws Article 6 No. 2(b)] and following a successful qualification procedure has acceded to the MMoU by its signature.” Each U.S. state insurance regulator, as an IAIS member or represented by an IAIS member (the NAIC), is eligible to be a signatory authority.
Setting the date for the meeting (See below for further discussion).

Setting the agenda for the meeting and distributing at least one week in advance (see below for further ideas).

Record outcomes that are achieved at each meeting including points arising from the meeting, individual to whom each task is assigned and the deadline when an action should be complete, and consider documenting in the form of minutes. It will be the responsibility of the Supervisory College to track individual items to make sure that the necessary action has been carried out.

Liaison with insurer management in obtaining information, their participation in the college and any related correspondence.

Developing a preliminary crisis management plan (see below for further discussion).

Consider for larger colleges preparing and updating a coordinated work plan (Consider using U.S. Supervisory Plan as starting point).

Prepare, update and circulate as changes occur, a contact list of members.

Requiring a periodic self-assessment of the effectiveness of the college (See below for further discussion).

In addition to these items identified in ICP 25, it’s important to recognize other expectations may exist from regulators and the US state should determine how to address such expectations. The following may be common examples of consistency with the Group Wide Supervisor:

- set reporting requirements for the college, including specifying frequency (e.g. annual, quarterly, etc) and type (technical provisions, issues raised as a result of on-site inspections, intra-group transactions, outsourced activities).
- analyze data received from the group
- promote willingness to work together with other regulators
- provide guidance to other regulators on particular issues
- has the duty to improving college effectiveness as that is not within their purview. Therefore, it may be appropriate to encourage maximum participation from all members of the college.
- allowing college members to submit written comments prior to the college meeting if they are unable to attend due to resource constraints, timing of the meetings, language barriers, or any other reason, even though regulators of entities that are significant to the group are general expected to attend.
- drafting minutes or action points for approval by the members
- circulating presentations and other materials for the meeting

Understanding the Regulatory Roles of Supervisory College Members

It is important for all participants in a Supervisory College to have a clear understanding of the regulatory mission of each of the regulatory bodies which are being considered for any Supervisory College. There can be important and significant differences amongst regulatory bodies which may be encountered by a diverse group of regulators if comprised of federal agencies and members from other countries. The regulated group’s organizational structure and the personalities of the regulators involved will also have a large tendency to direct how the group organizes and conducts itself. This information could be accumulated and summarized into a Terms of Reference document, or some other related document.

Key Functions of the Supervisory College Including Terms of Reference and Work Plan

One of the primary purposes of Supervisory Colleges is to facilitate coordination and communication between regulators. Consequently, one of the key functions of the college is to create the means to facilitate communication. Making this happen begins with the functions and expectations of the
group-wide supervisor. As previously stated, state insurance regulators should be aware that other regulators may have other expectations when it comes to the group-wide supervisor. Specifically, Article 248 of the European Union Solvency II Directive indicates that the group-wide supervisor has a significant planning and coordination role, but also a more defined supervision review and assessment role and significantly more decision-making capacity. State insurance regulators should understand the specific expectations of each supervisor through discussions in the first Supervisory College of the group and be aware of these possible differences and seek to establish agreed upon expectations with the other involved supervisors. Understanding the specific expectations may be communicated through conference calls by the college members. These expectations once documented are often referred to as a “Terms of Reference.” A terms-of-reference document can serve as defining the expectations of the members of the purpose of the college, can include clarification on why a particular supervisor regulator was determined to be the lead supervisor(s), group membership, agreement on frequency and location of meetings and finally, the role and responsibilities of the group-wide supervisor. As it relates to frequency and location of meetings members should strive to physically attend the meetings, however members should be given the ability to participate by conference call. A sample “Terms of Reference” is included in the appendix to this section. The supervisory work plan sets out timelines and deliverables and any tasks to be completed by college members based on key areas related to risks that are to be monitored within a certain timeframe. Regular review and updating should be made to the supervisory work plan on a periodic basis.

Different Approaches to College Structures
In general, the majority of colleges that states attend and lead are known as inclusive colleges. Under an inclusive college, there are no differences for the group-wide supervisor and other college members regarding participation in college work or access to information. More specifically, under this approach, the college would not use sub-colleges (e.g. regional colleges) or topical colleges where only certain members participate. This approach does not preclude the use of joint-examinations between jurisdictions where two or more jurisdictions believe that they have a similar issue that applies to their legal entities. Other approaches can include a tiered approach, where there may be a US regional college, or a European college, or some other regional, with a separate world college. In these situations the group wide supervisor may be expected to attend each of these, or at least that has become the practice. Consequently, this may be more demanding. Finally, in some cases there may be core colleges that only involve the college members most significant to the business of the group. These may be useful in targeting discussions, but may also create additional work for communicating the results back to other members of the world college. States should also be careful to consider the ramifications of these types of approaches on the existing information sharing agreements, as they may require additional more inclusive agreements if jurisdictions carry that opinion.

MINIMUM COLLEGE EXPECTATIONS (FOR U.S. STATES DETERMINED TO BE THE GROUP_WIDE SUPERVISOR)

College Requirements for U.S. States Determined to be the Group-Wide Supervisor
The following sets forth a minimum set of regulatory procedures to be used by U.S. lead states when leading a supervisory college. Many of these items are further discussed in prior parts of this document but some are not, and require additional judgment.

Initial College Procedures (most likely not applicable after first college meeting)
- Identify the entities which would fall within the scope of the group, either based upon information from annual holding company filings or through direct communication with the group, or both.
Determine through various means if your jurisdiction may be considered the group-wide supervisor, and proceed under this assumption

Make initial contact with other regulators that may also be considered the group-wide supervisor and informally suggest you may be the group-wide supervisor. If no objections, proceed to planning the first supervisory college.

Develop and execute information sharing agreements necessary for the protection of confidential information that will be shared among college members.

At the college, present an initial Terms of Reference agreement that summarizes various important aspects of the college collected prior to the college meeting, then discuss and adjust as deemed appropriate by members.

At the college, present an initial Crisis Management Plan for discussion then adjust as deemed appropriate by members.

At the college, direct a short discussion by each jurisdiction of their respective legal entity(ies), and the impact it(they) may have on the group. This type of discussion is not to be repeated after the initial meeting unless the impact is material, or if it’s from the perspective of what is driving particular performance for the group as a whole.

Develop a preliminary Supervisory Work Plan based on information gathered at the college with input from the college members.

**Initial and Ongoing College Meetings**

- Begin to plan all of the relevant logistical items that are important to a successful college, including considering the schedule of other supervisory colleges as posted to the Supervisory College Calendar on I-SITE.
- Contact the executive management team of the group to make certain they are available for a large portion of the college meeting before finalizing the date.
- Send out to all of the appropriate jurisdictions, initial information regarding the potential for a supervisory college meeting approximately 6-9 months before the intended date (2-3 months for conference calls), and modify the date to fit the needs of as many regulators as possible.
- Develop an agenda and distribute within 3 weeks of the college to all other regulators who plan to attend, asking for changes in order to ensure each jurisdiction’s needs are met.
  - The agenda should be focused on a regulator's shared view of the primary risks of the group. At the end of the meeting, college members should reach consensus upon the updated shared view of the primary risks of the group.
    - The primary risks of the group will vary, but will require the same general understanding of the group’s business strategy, risk management and governance processes, in addition to its financial, legal and regulatory position. Therefore initial colleges should have an agenda that develops this same general understanding of each of these items. Primary risks can be determined prior to such an understanding, but such a list is expected to be modified over time as the college gathers more information each meeting.
    - The agenda should include presentations from the group regarding those topics selected by the regulators when voting on the agenda (either to the entire group, or breakout sessions on
more specific topics). This can include things such as the following:

- strategic and financial overview;
- material changes to the group since last meeting;
- material plans and projects for the coming year;
- governance and risk management;
- identification of key risks;
- capital planning and management;
- stress testing;
- interconnectivity;
- non-regulated entities;
- succession planning;

The meeting should include targeted discussions on the primary risks of the group, or trends which suggest a modification to such a list. The lead state should consider utilizing a Group Profile Summary, or a similar document in a form similar to such document or the Insurer Profile Summary, to meet this objective. This specifically includes a document that would focus on the branded risk classifications of the group.

- Exchange/discuss qualitative and quantitative information and data either prepared by the regulator or by the group. The information shared should be based upon the regulators shared view of the primary risks of the group, including any evolving or new potential material risks identified by any member. Discuss at each college if the information is adequate or if further information is appropriate for ongoing review of the group.

- The group should present on the implications and readiness of the group for work adopted within various jurisdictions (e.g. ORSA, reporting or model development for Solvency II, etc.)

- Discuss and agree upon feedback to the group and where appropriate, solo/legal entities.
- Update and reach consensus upon a modified Terms of Reference Agreement
- Update and reach consensus upon a modified Crisis Management Plan
- Update and agree upon a modified Supervisory Work Plan including updates to risks and identification of individuals and the jurisdiction to whom each task is assigned and the deadline or frequency when an action should be complete. The updated Supervisory Work Plan should be updated and distributed to all members of the college within approximately three weeks of the college meeting, or something more flexible if that is agreeable to college members
- Record a summary of each meeting, documenting decisions that were reached and distribute to the participants within approximately two week of the college meeting, or something more flexible if that is agreeable to college members
- Distribute an updated contact list of members within approximately one week of the college meeting, or something more flexible if that is agreeable to college members
Have each member of the college meeting discuss the effectiveness of the college and the need for any changes, and have each member complete a survey of its effectiveness. Using the information from the survey, prepare a summary of the self-assessment of the effectiveness of the college and distribute to all members of the college within approximately four weeks of the college meeting, or something more flexible if that is agreeable to college members.

With regard to agendas, the above tries to capture the need for agendas that are focused on the risks of the group, which can be different from one group to the next. However, as supervisory colleges are intended to be best practices in themselves since participating members are expected to attend other colleges, emphasis should be placed on asking all jurisdictions to providing suggestions to draft agendas.

**General College Guidance for U.S. State Determined to be the Group-Wide Supervisor**

As colleges evolve, providing consistency for what is appropriate in order that colleges are functioning effectively is important. Therefore, it’s appropriate that the NAIC enhancements for supervisory colleges be updated to reflect the most current views. This handbook encourages all states that have participated in international supervisory colleges to consider on an ongoing basis, the changes that should be made to this section of this handbook, and to submit them to the NAIC staff for discussion and possible adoption.

**Understanding the Group Risks Perspective from the View Point of Each Supervisory College Member**

As discussed previously, the terms of reference document is intended to capture the specific expectations of each supervisory regulator. Understanding each member’s expectation is critical to having a successful college. In order to meet the majority members expectations it is suggested that the state insurance regulator consider having some time set aside at one of the very first colleges where each college member is afforded the time to discuss their perspective of the group. The following is a list of things items that the college may want to ask each member to provide, perhaps in a 5-10 minute presentation.

**Presentation of the Entities**
- Simplified holding company chart of the local entities
- Premium written by local regulated insurer by line of business and/or by product
- Affiliated relationships and any major transactions, including pooling arrangements and other reinsurance relationships

**Market Share**
- Major lines of business
- Gross written if not identified above
- Share of the local market (at the branch or state level if possible) and rank in the country

**Key Financial Information**
- Size of the balance sheet for most recent two years (or more current if available)
- Profit and loss statement for most recent two years (or more current if available)

**Risks**
- Reserves-Gross and net of reinsurance for most recent two years
- **Primary** risk to which the entity is exposed
- Exposure to other entities within the group
- Any other material risks
Specific Issues of the Insurer

- Status of any current or recent financial or market conduct examinations
- Any recent or pending material transactions including mergers, acquisitions and reorganizations
- Any regulatory action

Crisis Management Plan

Many regulators believe that Supervisory Colleges are most effective when mutual cooperation and mutual trust is achieved. This attribute proves most beneficial and perhaps needed in times of financial difficulties or financial distress for the company. Although regulators are constantly trying to avoid situations of distress on the company, they must all be prepared that they could occur. To that end, the Supervisory College should engage in a conversation about the issue and how the college will work in these situations. The intent is for these discussions to occur at the inception of the college itself, and then be documented and approved formally as early as possible. Such plans should attempt to be flexible and should consider the need to adapt to the particular individual company situation. In fact, in most Supervisory Colleges, it’s difficult to define a crisis plan because it’s impossible to know how the college will react. In most cases, the college will agree that a physical meeting would be desirable as soon as practical, but that it may be necessary to meet by conference call as soon as possible.

Regular Assessment of Effectiveness

At the outset of establishing a Supervisory College, the group-wide supervisor should discuss the need to regularly assess the effectiveness of the Supervisory College. Such an evaluation may consider the original Terms of Reference as these are the participating member expectations. In addition, the college should determine the extent to which it believes there could be some regulatory gaps in the supervisory process, or areas of the group that have not been considered. Once the group-wide supervisor completes this assessment, it should be shared with all members of the college allowing the involved regulators to provide input into the assessment.

COLLEGE MEETINGS-AS THE GROUP WIDE SUPERVISOR

PLANNING AND LOGISTICS

Setting the Date for the Meeting

Setting the date for the Supervisory College is critical and requires extensive planning. It is suggested by state regulators that have planned supervisory colleges that plenty of advance notice is given to participants of each meeting to attendees and 90 days should represent the minimum notice. However, many of these same regulators have suggested that it’s better to establish the date of the college, or approximate date, six months in advance. As a result, it is suggested that state insurance regulators start planning the Supervisory College nine months before its expected date. The below section on other logistical aspects for the meeting demonstrate the significance of the various items that must be considered in planning the meeting, and therefore the need for extensive planning to occur far in advance of the actual meeting.

Experienced regulators have also noted that the length of the meeting should be specific and consideration should be given to allow each member to fully explain its viewpoints, methods and processes. Supervisory college meetings should always have a clear purpose (see note regarding the chairs responsibility to record outcomes/assignments for each meeting).

Planning other Logistical Aspects for the Meeting

Many state insurance regulators suggest that a supervisory college only be scheduled during the spring or the fall to avoid potential weather related cancelations. The primary reason it is important to schedule a
college during the spring or the fall is to increase the chances of regulators from other countries to attend the college and therefore have a successful one. Clearly, the amount of work and costs that must be undertaken to administer a college is significant, therefore it’s unreasonable to think that another Supervisory College could be administered on short notice due to a lack of participation from a couple of other countries.

Another reason to schedule a college well in advance of its expected date is to ensure that senior management of the insurance group is available the entire time that the college is taking place. Most state insurance regulators believe that it is critical that the CEO, CFO, CRO and Chief Legal Counsel are all available to the college during the college. The scheduling of the college should begin with establishing a range of dates to ensure attendance of these officers. If the management/officers are not in attendance at certain times of the college, it should be communicated and made clear that they need to be available to supervisors if questions arise that requires their immediate explanation.

Once the general dates are established with the insurance group officials, immediate steps should be taken to reserve a space, accommodations, for the meetings. Most state insurance regulators believe that strong consideration should be given for using the insurance group’s facilities. While most large insurance groups have facilities that are designed for these types of meetings, other participating members should be asked if they are comfortable with that as an option. The results of such inquiry should be communicated with the group. This would allow for immediate access to insurance group officials within a short notice to respond to questions that arise. The college must be set up—best site would allow meals and refreshments to be brought into the meeting, which would reduce the need for participants to travel away from the site for meals, that allows meals and refreshments to be brought into the meeting, thus preventing the possibility that supervisors go in different directions to find local eateries. Further, consideration should include facilities that allow participants to communicate with their home office and include breakout rooms with the college must also be set up in a way that does allow individual supervisors to break for short periods to make short calls in private. Most suggest at least 3 breakout rooms be available for such use, with a phone, and computer, and printer capabilities, that can also be used for subgroup meetings if needed. It has also been suggested that the meeting space be set up in a “U” shape to maximize the ability to engage each of the participants. A “U” shape room also works well with the need for projectors and screens (for presentations) and use of whiteboards and markers for discussion points.

Once the location of the meeting is identified, the state insurance regulator should immediately proceed to obtain one-hotel accommodations that can support all of the attendees and is in close proximity to the meeting location, seeking assistance from the group as needed. State insurance regulators suggest the use of a hotel which provides a portal website that gives each participant the ability to make their reservations online throughout the world is ideal. It is suggested that the hotel selected should allow available to attendees adequate travel time to and from the meeting site give them the ability to come into the college a couple days before and after the college, to allow for personal time around the meeting dates.

Once the hotel is identified, it is recommended that a group dinner be organized for all of the attendees to allow individuals the opportunity to better acquaint themselves with each other thus maximizing the ability to have an engaging college. An evening group dinner is an excellent way for supervisory college participants to better acquaint themselves and enhance the flow of communication both during and after the supervisory college. Another important point is to determine the communication that will be provided. Specifically, it will be important to establish that most of the college communication will occur in English. However, it may be appropriate to arrange for translators to be engaged for some other languages, and then for booths to be established for where such communication
will occur within the room set-up. Again, this may be necessary to consider before establishing the location, and as evidenced with the various important details above, may require the type of lead time suggested previously for establishing such logistics.

One final issue that is extremely important to understand is the process under which non-Lead States, as part of its preliminary duties, the group wide supervisor should determine if the other supervisory college participants will seek to be able to recoup expenses for attending the Supervisory College, and if so, how will the group wide supervisor be involved with this activity. Many jurisdictions do not seek direct reimbursement for expenses associated with attending a supervisory college. Although the NAIC’s model #440 provides the authority for a state to recoup its expenses related to a Supervisory College, the process for collecting may be handled differently by each Lead State since states may have different processes for settling expenses with employees as well as billing such amounts to insurers. It is suggested that the Lead State group wide supervisor should identify the process it will use early in the planning stages of a supervisory college, and communicate this to the other states that will be participating in the college.

SETTING AGENDAS

Setting the Agenda

In the initial college, the focus will be on establishing the college, the group-wide supervisor, the membership, Terms of Reference, and related details. Some state regulators may wish to complete these activities of the college via conference calls, or e-mail in order to minimize costs and maximize effectiveness by fitting the college into busy schedules. However, some believe that face-to-face communication cannot be replaced in order to make sure every member of the college is completely engaged in the discussion and issues. Some even suggest that a phone-in number should not be an option for attending a college since it’s likely that a phone attendee would not be as engaged and would be easily distracted. One downfall to full engagement by all members is the difficulty in setting an agenda that can be adhered to within the allotted time. In some cases, this may result in the need to establish approximate time allotments per topic. Most state insurance regulators agree with the practicality of setting such limits, provided the discussion on a particular important topic is not artificially ceased and that the chair attempts to find an appropriate place to end the discussion on a topic.

There are a number of other considerations for what should be discussed and considered within the first initial Supervisory Colleges. The following enumerates some potential agenda items for the group-wide supervisor to consider:

Initial Supervisory College Agenda Topics

- Introductions.
- Voting on the group-wide supervisor.
- Discussion and voting on the Supervisory College membership.
- Initial discussion regarding frequency and location of meetings.
- Individual college members’ views regarding role and responsibilities of the group-wide supervisor.
- Plans for documenting agreements into a Terms of Reference document.
- Discussing/establishing a crisis management plan.
- Initial high level presentation from the insurance group regarding its business structure, significant operations, interconnectivity (including non-insurance affiliates), including ownership and management structure and overall operating results.
- Begin to discuss material risks of the group and format for future discussion.
- Discuss a preliminary Supervisory Work Plan.
- Discussing/establishing a crisis management plan.
Set the date and time for the next meeting.

**Next Meeting of Supervisory College Agenda Topics**

- Introductions.
- Review and reach consensus/vote on Terms of Reference document.
- Recap discussions regarding material risks of the group.
- Secondary presentation/deeper dive from the insurance group regarding its business plan, financing strategy and perceived risks and risk mitigation strategies. Consider requesting specific presentations regarding:
  - Underwriting strategies.
  - Investment strategy.
  - Reinsurance strategy and program.
  - Capital adequacy at group level including discussion of internal model development and assumptions (group’s own risk and solvency assessment).
  - Corporate governance and internal fit and proper requirements.
  - Interconnectivity (including reinsurance, guarantees, securities lending, non-insurance affiliates).
  - Updated operating results.
- Consider closed session with external auditors regarding discussion of their audit approach, and material risks (obtain clearance from insurance group before proceeding).
- Initial discussions from the group-wide supervisor regarding their assessment of the group.
- Share views and assessments of both specific insurers and the group as a whole on those risks deemed significant to the members.
- Develop common understanding amongst supervisors on the overall group-wide risk profile relative to the major insurance aspects of the group.
- Identify a consensus regarding any changes in the assessments of the Company’s group-wide risks (strengths and weaknesses).
- Identify any group-wide efforts that the members need to focus on.
- Update the Supervisory Work Plan.
- Identify any correspondence deemed necessary to be distributed to all members of the group.
- Set the date and time for the next meeting.

**Ongoing Meetings of the Supervisory College Agenda Items**

- Introductions.
- Recap discussions and follow up from past meeting.
- Group-wide supervisor to share their assessment of the group.
  - Continue to share views and assessments of both specific insurers and the group as a whole on those risks deemed significant.
  - Discuss modifications to the preliminary group-wide assessment by the group-wide supervisor, including changes to the format of the assessment regarding business structure and overview, assessment of profitability, leverage, liquidity and overall financing position/capital adequacy.
  - Consider added documentation for discussion of reinsurance and other forms of risk transfer where material to the perceived risks of the group.

V. Group-wide Supervision—H. Supervisory Colleges

- Consider added documentation for other intragroup transactions and exposures, including intragroup guarantees and possible legal liabilities and any other capital or risk transfer instruments.
- Consider added documentation for internal control mechanisms and risk management processes, including reporting lines and fit-and-proper assessment of the Board, Senior Management as well as the propriety of significant owners.

- Ongoing presentation from the insurance group regarding its risks and changes. This includes but should not be limited to having each of the business unit heads present on each of their areas.

- Continue to refine the assessments of the Company’s group-wide risks (strengths and weaknesses).

- Identify any group-wide efforts that the members need to focus on.
  - Consider coordinated efforts (examinations) of a particular area (i.e. internal audit, actuarial function or risk management processes).
  - Consider break out groups to hear presentations on specific topics (e.g. specific product or economic trends in the industry and company plans for addressing).
  - Breakout groups can also be used as a mechanisms for focused discussion. These can be organized by region, type of business, risks, and can represent brainstorming issues where the group lists various issues or concerns, prioritizes them, and then the breakout groups separately present their views to all of the supervisors attending the college meeting.

- Update the Supervisory Work Plan.

- Identify any correspondence deemed necessary to be distributed to all members of the group.

- Discuss the effectiveness of the Supervisory College.

- Set the date for the next meeting.

**OUTPUT**

**Output from Each Meeting**

Most state insurance regulators agree that it’s important that each participant of a Supervisory College leave with clear outcomes and takeaways. Specifically, the college members should identify and agree on the primary risks of the group and how the supervisors are going to monitor such risks. Additionally, most state insurance regulators believe that each insurance group should set up a secure website where the insurance group can post information that may have been requested by the college, or that the insurance group believes is important to provide an update to the various college participants. As part of the supervisory college, the group-wide supervisor should obtain contact information for each participant and share this information with all the participants during or immediately after the college. They should also consider requesting that all participants provide their name, title, phone number, and e-mail address (or bring their business card), so that a listing of such information can be provided to all participants of the college subsequent to the meeting. State insurance regulators may want to consider providing such information to the insurance group so they can tabulate such information to minimize the resource impact of this effort. This information can be used for different uses, including announcing information from the group (e.g. date, time and/or directions to listen to next investor call) or announcing information from the regulators such as the next scheduled examination. Useful and valuable in facilitating subsequent communication with members regarding follow-up issues.

**General College Guidance for U.S. State Determined to be the Group-Wide Supervisor**
COLLEGE MEETINGS—AS THE LEAD STATE BUT NOT THE GROUP WIDE SUPERVISOR

The following are suggestions relating to the role of the lead U.S. state to function as the U.S. contact for parent holding companies domiciled in other countries.

- Consistent communication with applicable international regulators through the voluntary submission of information via the web-based NAIC International Supervisory Colleges Request Form;
- The lead state should be available to attend supervisory colleges and for informal conference calls;
- Consistency in who participates in the supervisory college is recommended for continued building of international relationships;

The U.S. lead state plays a key role in coordinating communication to and from the international holding companies to the non-lead states.

Lead state’s financial review of the international holding companies:

- Good understanding of the holding company organizational structure.
- Keep current of the financial review of the ultimate controlling person’s financial statements and those of key subsidiaries.
- Keep current of the significant events that impact the holding company system (e.g., financial, market, stock, catastrophic, etc.)
- Maintain contact with the international holding companies and the international regulators.
- Coordinate the sharing and requesting of information where appropriate.

Summary and Conclusion

Develop and document an overall summary and conclusion regarding the college.

- Describe structure of college, attendees, key risks identified, etc.
- Identify key observations and risk noted during the supervisory college.
- Coordinate and communicate follow up on key takeaways any important information to relevant regulators, including in-house state departments (such as Examination, Actuarial, Rates and Forms, etc) the non-Lead States.
- The analyst should update the Holding Company System Analysis if there are observations from the college that have a material impact on the view of the group.
- The analyst should update the Group Profile Summary and Supervisory Plan if there are observations from the college that have a material impact on the view of the group.
- The analyst should communicate to the examiner in-charge any prospective risks identified.

Analyst ________________ Date________

Comments as a result of supervisory review.

Reviewer _______________ Date________
Possible Terms of Reference document for the group

TERMS OF REFERENCE

-COMPANY-NAME Supervisory College

General Statement: The purpose of this Supervisory College is the development and implementation of an ongoing flexible mechanism to coordinate the exchange of valuable information pertaining to COMPANY-NAME and its subsidiaries, amongst and for the benefit of those regulatory supervisory authorities responsible for the financial regulation of COMPANY-NAME and its subsidiaries. The Supervisory College serves as a permanent platform for facilitating the exchange of information, views, and assessments enabling its members to gain a common understanding of the risk profile of the group.

Terms of Operation: Supervisory College members shall ensure the safe handling of confidential supervisory information by signing the Confidentiality Agreement specific to the College of Supervisors of COMPANY-NAME (the Confidentiality Agreement) thereby facilitating the efficient exchange of information among its members. The Supervisory College has the flexibility in its operation to identify and address immediate, developing, actual and prospective risks. The Supervisory College will discuss efforts to involve its members in possible future coordinated supervisory actions and arrangements when deemed suitable.

Membership: Supervisory College membership will change over time due to modifications in COMPANY-NAME’s operations, size and complexity. A current listing of the Tier I, Tier II, and Tier III members are identified in Schedule A attached hereto. The Tier I members will continually evaluate whether any changes in membership are required based on modifications related to the nature, size and complexity of COMPANY-NAME.

Chair of the College: Tier I members will appoint a supervisor (group-wide chair) as the Chair of the Supervisory College, and may appoint subgroup chairs when deemed appropriate. The Chair is responsible for organizing and scheduling meetings as well as ensuring that appropriate information is disseminated to members. The Chair should propose the agenda for the meetings and incorporate the views and opinions of other Supervisory College members. The Chair need not be a specific person as the chair could be a particular jurisdiction or title of a position within the jurisdiction.

Scope of Activities: The Supervisory College will aim for a central focus on the following issues at a group level:

- Solvency and financial stability of the insurance group.
- Assessment of intragroup transactions and exposures.
- Internal control and risk management within the insurance group.
- Appropriate actions to mitigate risks identified.
- Crisis management.

To assist in these central activities, the Supervisory College members will discuss possible arrangements for managing crisis situations based on the risk profile of the group. In addition, Supervisory College members will discuss possible procedures for dealing with issues when relevant, such as breaches of solvency positions and the crystallizing of risk exposures.
The Supervisory College will attempt to reference the applicable information of the stated overall strategic plan(s) of COMPANY NAME and its insurance subsidiary.

Supervisory College members are encouraged to continuously notify their fellow Supervisory College members through the Supervisory College mechanism on any matters deemed relevant to enhance risk-based supervision.

**Frequency and Locations of Meetings:** The Tier I members will negotiate meeting dates and locations that will ensure the involvement of as many of the members as possible. When it is unfeasible for supervisors to be present at a meeting, a best attempt will be made to allow participation via conference calls or web broadcasting. Tier I members will plan to meet every quarter prospectively; one meeting will be held in person annually tentatively. The Tier I members may call a meeting together on short notice in the event of an emergency situation. Participation or involvement or both of Tier II and Tier III members will be addressed annually at minimum.

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**TERMS OF REFERENCE**

**for the COMPANY Supervisory College**

**General Statement:** The purpose of this Supervisory College is the development and implementation of an on-going flexible mechanism to coordinate the exchange of valuable information pertaining to COMPANY and its subsidiaries, amongst and for the benefit of those regulatory supervisory authorities responsible for the financial regulation of COMPANY and/or its subsidiaries. The Supervisory College serves as a permanent platform for facilitating the exchange of information, views, and assessments enabling its members to gain a common understanding of the risk profile of the group to enhance risk-based supervision and thereby enhance solo supervision efforts.

**Terms of Operation:** Supervisory College members shall ensure the safe handling of confidential supervisory information by signing the Confidentiality Agreement specific to the College of Supervisors of COMPANY (the “Confidentiality Agreement) thereby facilitating the efficient exchange of information amongst its members. The Supervisory College has the flexibility in its operation to identify and address immediate, developing, actual and prospective risks. The Supervisory College will discuss efforts to involve supervisory college members in possible further coordinated supervisory actions and/or arrangements when deemed suitable.

**Membership:** Supervisory College membership will change over time due to changes in COMPANY operations, size and complexity. A current listing of the Tier I, Tier II, and Tier III members are identified in Schedule A attached hereto. The Tier I members will continually evaluate whether any changes in membership are required based on changes related to the nature, size and complexity of COMPANY.

**Chair of the College:** Tier I members will appoint a supervisor (group-wide chair) as the chair of the Supervisory College, and may appoint sub-group chairs when deemed appropriate. The chair is responsible for organizing and scheduling meetings as well as ensuring that appropriate information is disseminated to members. The Chair should propose the agenda for the meetings and incorporate the views and opinions of other supervisory college members. A chair need not be a specific person as the
chair could be a particular supervisory authority or the title of a person at such supervisory authority.

**Scope of Activities:** The Supervisory College will strive to have a central focus on the following issues at a group level:

- solvency and financial stability of the insurance group;
- assessment of intra-group transactions and exposures;
- internal control and risk management within the insurance group;
- appropriate actions to mitigate risks identified; and
- crisis management.

To assist in these central activities, the Supervisory College members will discuss possible arrangements for managing crisis situations based on the risk profile of the group. In addition, where applicable, Supervisory College members will discuss possible procedures for dealing with issues such as breaches of solvency positions and/or the crystallizing of risk exposures.

Information from the Supervisory College will attempt to incorporate references towards the applicability of COMPANY and its insurance subsidiary’s stated overall strategic plan(s).

Supervisory College members are encouraged to continuously notify their fellow Supervisory College members through the supervisory college mechanism on any matters deemed relevant to enhance risk-based supervision.

**Frequency and Locations of Meetings:** The Tier I members will attempt to agree to meeting dates and locations that are likely to ensure the participation of as many of the members as possible. When it is not feasible for supervisors to be present at a meeting, best endeavors will be made to allow participation by other means such as by conference call or other electronic means. Tier I members will attempt to meet quarterly, and will attempt to conduct at least one meeting annually in-person. The Tier I members may call a meeting together on short notice in the event of an emergency situation. Participation and/or involvement of Tier II and Tier III members will be addressed at least annually.

**Meetings:** At each meeting, each Tier I member should attempt to provide an update on any relevant material event(s) and/or any new information which could have a significant impact on the group-wide risk profile.
Schedule A
(Supervisory College Members)

as a part of the

Terms of Reference
for the COMPANY Supervisory College

Tier I Members:
1. COUNTRY
2. COUNTRY
3. UNITED STATES – STATE
4. UNITED STATES - STATE

Tier II Members:
1. COUNTRY
2. UNITED STATES - STATE

Tier III Members:
1. COUNTRY
2. UNITED STATES - STATE
Suggest Moving to Section L of the Group Supervision Section of the FAH

Holding Company and Supervisory College Best Practices
Created by the
NAIC Group Solvency Issues Working Group
of the Solvency Modernization Initiatives (EX) Task Force
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I. INTRODUCTION

A. BACKGROUND/PURPOSE

The purpose of this document is to provide guidance and best practices for use by state insurance regulators in their regulatory oversight of insurance companies within insurance holding company systems. It is recommended these best practices be incorporated into existing NAIC Publications, such as the *Financial Analysis Handbook*, which already incorporates the 2005 *Holding Company Framework* concepts.

The information in this best practice document is meant to provide guidance to state insurance regulators and be an advisory resource.
II. HOLDING COMPANY BEST PRACTICES

A. COMMUNICATION/COORDINATION BETWEEN FUNCTIONAL REGULATORS

1. CROSS-BORDER AND OTHER FINANCIAL SECTOR COORDINATION

Insurance holding company systems can include numerous U.S. non-insurance entities that are regulated by other U.S. federal or state regulatory authorities (e.g., Securities and Exchange Commission, Office of Thrift Supervision, Federal Reserve Board, Centers for Medicare and Medicaid Services, etc.) as well as non-U.S. insurance or non-insurance entities regulated by international regulatory authorities. Efficient and effective financial regulatory oversight of the domestic insurer includes communicating and coordinating during the examination and through the quarterly analysis processes, when necessary, with other regulatory bodies which have authority over entities within the group that directly or indirectly impact the insurer. The direct or indirect impact can result from various relationships including ownership and control, reputation, board of director influence, reinsurance and other affiliated transactions and agreements.

Steps to achieving successful cross-border and other financial sector coordination include:

- Understand the holding company structure and intercompany relationships. Review Schedule Y, Form B and other information available to identify other entities within the holding company system. Identify intercompany relationships: reinsurance, management and cost-sharing agreements, common management, and boards of directors.

- Identify the functional regulators of entities within the holding company system. In addition to other state insurance regulators, identify U.S. Federal or state authorities, foreign insurance regulators with authority over foreign parents, subsidiaries or affiliates.

- Establish points of contact and communication channels with other functional regulators.

- Establish a plan for communication with other functional regulators. Establish the timing, frequency and scope of discussions. The communication plan may vary depending on the nature and materiality of intercompany relationships, the financial solvency of the insurer, the financial solvency of the other entities within the group, and whether Form A or Form D applications have been filed, or if regulatory actions are being considered or taken by either the insurance department or the other functional regulator(s) on entities within the group.

- Establish confidentiality agreements or memorandums of understanding (MOUs) with other functional regulators. Regarding the confidentiality of sensitive company information that is provided to or received from other functional regulators, the insurance department should establish confidentiality agreements or a memorandum of understanding with that functional regulator to ensure that confidentiality can be maintained.

2. INFORMATION FROM FEDERAL AGENCIES

When state insurance regulators coordinate with other functional federal regulators, efforts should be made to attempt to share information on the respective regulated entities within the holding company system. The attached Federal Agency Holding Company Regulation table in Appendix B provides a list of federal agency reports that could be requested by state insurance regulators under the MOUs in place. In addition to the items listed in Appendix B, state insurance regulators could request from functional
regulators copies of any internally-generated reports, recommendations, oversight plans, regulatory orders, management comment letters or any type of agreement pertaining to the holding company and/or any subsidiary within that holding company system.

3. **COMMUNICATION/COORDINATION OF HOLDING COMPANY INFORMATION**

It is important for state insurance departments to communicate with other state insurance departments about analysis, examination and other regulatory findings and to coordinate regulatory activities on insurers within a holding company system. The following sections deserve special mention:

- Role of the Lead State
- Utilizing the Lead State Report
- Sharing the Insurer Profile Summary and Holding Company Analysis Work papers

**ROLE OF THE LEAD STATE**

As already outlined in this *Financial Analysis Handbook*, the lead state concept is intended to facilitate effectiveness and efficiencies when one or more state(s) coordinate and communicate the regulatory processes and perspectives of all states involved. Its importance was stressed in the passage of the Gramm-Leach-Bliley Act (GLBA). The concept is not intended to relinquish the authority of any state, increase any state’s statutory authority, nor is it intended to put any state at any disadvantage.

The role of the Lead State(s) encompasses many responsibilities, which vary depending upon the size and complexity of the group and situations creating the need for regulatory coordination. For example, the lead state(s) should coordinate the review of the holding company system, which includes an analysis of the group’s financial results and overall business strategy, or coordinate discussion on a Form A filing. The Lead State should serve as a liaison for other financial or international regulatory requests, when the holding company system includes non-insurance or non-U.S. domestic insurance entities that are regulated by other functional or international regulators. This communication will allow for more effective and efficient regulation on key issues impacting the holding company system.

Other communication and coordination activities hosted by a lead state may include, but are not limited to, the following activities:

- Communicate supervisory activities regarding troubled insurers with other state insurance departments, functional regulators and/or international regulators.
- Coordinate analysis or examinations efforts, where feasible.
- Consensus assignment of specific regulatory tasks among different state insurance departments in order to achieve efficiency and effectiveness in regulatory efforts and to share personnel resources and expertise.
- Coordinate information requests to management.
- Initiate Supervisory Colleges of groups ([See Supervisory College section for guidance](#)), following the guidelines of the Supervisory Best Practices.
USING THE LEAD STATE REPORT

The Lead State Report is an important regulator only tool that state insurance regulators can utilize to establish direct lines of communication among insurance departments to coordinate holding company analysis efforts. The report provides the name and contact information for the analyst or supervisor assigned to each insurer within an insurance holding company group (i.e., an entity with a group code).

In order for the report to continue to be useful to regulators, it must be maintained by regulators. The information regarding the assigned analyst can be updated by the state in an effort to ensure it remains up to date. Therefore, States are encouraged to notify NAIC Financial Analysis staff any time contact information changes for persons listed from their state whether it be due to a shift in responsibilities or a change in a company’s domestic regulator, so that the report is always current and relevant of any other changes to the report that are necessary. It is recommended states review the report prior to each annual statement filing to ensure the contact information is correct.

SHARING THE INSURER PROFILE SUMMARY

The Insurer Profile Summary is a “living document” maintained by the state of domicile to “house” high-level summaries of risk-focused financial analysis, examinations, internal and external changes, priority scores, supervisory plans, and other standard information. In order to prepare a complete and comprehensive holding company analysis, it is recommended each state provide the profile of their domestic insurer to the lead state(s) or designee (i.e., state within the group conducting the coordinated holding company analysis) upon request.

The documentation contained in the Insurer Profile Summary is generally considered proprietary, confidential information that is not intended to be distributed to individuals other than state insurance regulators, without the express written consent of the applicable state insurance department. This documentation, if needed, should be requested in writing and state that the requesting state has the ability under its laws and regulations to maintain the information as confidential, and specifying the requesting state’s law.

SUMMARY OF BEST PRACTICES ON HOW TO ACCOMPLISH INFORMATION SHARING

- Actively participate as a Lead State carrying out the responsibilities of a lead state and encouraging communication and coordination among regulators of the group.
- If your state is not the Lead State, contact the lead state(s) as necessary to discuss outstanding issues and seek information.
- Proactively request and share the Insurer Profile Summaries on insurance legal entities within the group.
- Update your state’s contact information on the Lead State Report at least quarterly.
- In potentially troubled insurance company situations, share information and/or host conference calls with other impacted states (domiciliary, licensed or business written) as soon as issues are identified at either the insurer or its holding company.
- Update and utilize the NAIC’s Form A Database. Contact the lead state or other states within the group to discuss Form A filings, Form D filings or other material transactions either at the insurer or holding company level. Depending on the magnitude and scope of the transaction, it is best to engage in discussions with other regulators during the review process, prior to approval or denial of the transaction, to understand and coordinate regulatory actions.
Establish routine schedules for communication between states and other functional and international regulators, where relevant. This may be most applicable for large groups, groups with numerous or complicated affiliated transactions and interdependencies, or stacking of insurance company ownerships (i.e., insurer owns insurer). Consideration should be given to calling Supervisory Colleges for some groups.

B. **Ownership and Control**

1. **Mergers & Acquisitions of Control – Uniform Practices**

**BEST PRACTICES**

- Notify lead state(s) of any merger or acquisition involving your domestic insurer(s) within the holding company.

- Lead state(s) and domestic state(s) involved in transaction should decide if the transaction is material to the holding company.

- If transaction is deemed to be material, the lead state(s) should notify all states with domestic companies in the holding company and all other functional international and federal regulators of the pending transaction along with the purpose of the transaction.

- Depending on the nature of the transaction, the lead state(s) or domestic state(s) should regularly communicate with all states and other functional regulators, as warranted, to provide updates on the transaction and get feedback from the other states and regulators. If warranted, based on the nature or significance of the transaction, consider the formation of an NAIC “Subgroup” to facilitate timing, review and effective communication.

**Merger(s)**

Merger or consolidation of two or more insurers within the same Holding Company System (Section 3(E)(1)): To the extent that the merger or consolidation transaction is subject to prior approval filing under other laws of the states in which the merger/consolidation entities are licensed, the merger or consolidation is exempted from filing under the Holding Company Act.

Merger or consolidation of entities of an insurer with one or more non-insurers or insurance entities: The domestic regulator should have a clear understanding of the merger or consolidation with the following documentation requested from the insurer:

- Nature of and the reason for merger/consolidation.
- Evidence relating to why the merger/consolidation is fair and reasonable.
- Operational and financial impact of the merger/consolidation transaction to the domestic insurer.
- If subject to oversight by another functional regulator, seek material solvency concerns or regulatory concerns affecting the domestic insurer(s) or the holding company system.
- If the non-insurer is subject to oversight by another functional regulator, evidence of communication and approval of the transaction by the functional regulator.
Acquisitions of Control
The general premise of the exemption provision applicable under Section 3(E) (2) for acquisition of control of an insurer within the same Holding Company System assumes minimal impact upon the insurer on the acquisition. Such assumptions should include the considerations that:

- The ultimate controlling person of the insurer being acquired remains the same.
- No debt, guarantee, or other liability incurred as related to the transaction.
- No significant impact upon the financial position and operations of the insurer.

However, there must be a need for the acquisition of control to take place. The emphasis may not be the insurer being acquired, but the entity that is acquiring the insurer. The holding company restructure may be related to strengthen the financial position of the acquiring entities by reallocation of the stock ownership of the insurer to the acquiring entity in lieu of any cash contributions. Or the holding company restructure is to realign companies in preparation for sale of the insurer.

The domestic regulator of the insurer being acquired should request the following documentation:

- Nature of the acquisition
- Consideration of the acquisition
- Organizational chart – pre and post acquisition
- Operational and financial impact of the acquisition of both entities
- 3-year financial projections for the insurer
- Most recent audited financial statements of the acquiring entity
- Discussion of any anticipated changes to affiliated agreements
- If the entity acquiring the insurer is subject to oversight by another functional regulator, evidence of communication and approval of the transaction by the functional regulator.
- Biographical affidavits of all officers and directors of the acquiring entity and any intermediary company(s), to help ascertain the competence, experience and integrity of these individuals.
- All of the actual documents to be executed related to the acquisition.

2. COORDINATION OF FORM A REVIEWS

When an insurance department receives a Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (Form A) filing involving an insurer in a group with multiple states or other functional regulators (i.e., state, federal, or international), the insurance department should: 1) inform the other regulators, 2) maintain communication throughout the filing review process, and 3) coordinate analysis efforts and actions with the other impacted regulators. Depending on the size and complexity of the acquisition/merger, the lead state(s) may need to take responsibility for the coordination and facilitation of communication. Regardless of whether a joint hearing is requested, regulators should work jointly on the Form A review to maximize efficiency and promote coordinated communications with the insurers involved to reduce duplication of regulatory efforts, where possible.
**BEST PRACTICES**

- Lead state(s) or designee should assume the role of coordinator and communication facilitator. The lead state(s) should serve as the facilitator and central point of contact for purposes of gathering and distributing information to all regulators involved. If the lead state(s) delegate this responsibility to another domestic state within the group, all regulators, domestics and licensed states should be informed.

- States should enter the high-level information about Form A filings into the NAIC Form A Database as well as update the Form A Database with changes in status. The Form A Database allows regulators to communicate high-level information of a filing, as well as share contact information and comments on a filing.

- States should encourage analysts to sign up for Personalized Information Capture System (PICS) alerts to notify them of Form A Database entries and updates. Such alerts would highlight any potential addition or deletion of any insurer to a Group.

- Contact information for the lead analyst/supervisor/chief, as applicable, responsible for the Form A review at each insurance department, as well as contact information for other functional regulators involved should be distributed to all regulators involved.

- The lead state(s) or designee should schedule regular conference calls or arrange for regular e-mail communications, as deemed necessary, to receive and share status updates from each regulator involved. As many states have strict timeframes within which to complete reviews and schedule hearings, the frequency of conference calls and other communication will depend on the timelines of the particular states involved and the sensitivity of the transaction. Additionally, regulators can share comments regarding a filing in the Form A Database. The lead state(s) or designee should compile questions and issues identified by all domestics, licensed states and functional regulators in an unbiased manner in order to coordinate the resolution of the answers to the applicable parties and reduce duplicative requests.

- Review results, either internally prepared or work performed by hired consultants, or information collected by a state should be shared between the applicable regulators, where permissible. Collaborative sharing of information during the review process will reduce duplicative efforts and costs for both regulators and insurers. If the use of consultants is deemed necessary, regulators should consider coordinating the selection of the consultant and agree to share the work product of the consultant.

The lead state(s) or designee should coordinate a consolidated public hearing when deemed necessary by the lead state as set forth in the Model Act. If the proposed acquisition of control will require the approval of more than one commissioner, Model Act #440 provides that a public hearing may be held on a consolidated basis upon request of the person filing. Such person shall file the statement with the NAIC within five (5) business days of making the request for a public hearing. A commissioner may opt out of a consolidated hearing, and shall provide notice to the applicant of the opt-out within ten (10) business days of the receipt of the statement by the commissioner. A hearing conducted on a consolidated basis shall be public and shall be held within the United States before the commissioners of the states in which the insurers are domiciled. Such commissioners shall hear and receive evidence. A commissioner or designee may attend such hearing, in person or by telecommunication.
C. **Standards of Management of an Insurer Within a Holding Company System**

1. **Form A Exemptions**

The following are suggestions for additional oversight when considering an exemption under #440 Section 3E (2) of the Holding Company Act. Specifically the following should be considered when reviewing an exemption pertaining to investment managers/advisors that hold proxies directly or indirectly which may have more than 10% control.

**Reputational Risk — Market Disruption Regarding 10% Investor Limitation**

An investor with a large percentage of Holding Company stock may be entitled to divest significant shares, therefore driving the stock price down. This may cause a drop in the confidence levels of investors and policyholders and may also lead to ratings downgrades (if in combination with other issues).

**Best Practices**

- Although an exemption from change in control of over 10% may be contemplated for a “fund manager,” consideration should be given to limit the stock ownership by an individual or group of mutual funds or commonly-managed companies to no greater than 9.9%.
- As part of the review process, obtain written confirmation of the percent limitation in individual mutual funds.
- The domestic insurer’s awareness of the exemption request.
- The request does not violate the domestic insurer’s bylaws.

**Operational Risk — Ability to Influence Management and Policy Decisions**

An investor with a large percentage of Holding Company stock may inherently have the ability to influence management and policy.

**Best Practices**

- Upon reviewing the exemption from change in control, the regulator should inquire not only about the ability of the investor to obtain a board seat, but also about the ability of the investor to become a “non voting observer” on the board. Holding Company board controls should be firmly in place to assure that “influencing policy and management decisions” cannot occur.
- Board governance should be reviewed.

**Financial Risk - The Financial Condition of Holding Company and Insurer Deteriorates**

Reputational and operational risk (discussed above) can lead to financial risks.

**Best Practice**

The approval of the exemption from change in control should include a requirement that the State receive an attestation from the investor stating when there are changes in investing philosophy.
2. CORPORATE GOVERNANCE POLICIES

The following are suggestions when reviewing corporate governance policies within the holding company system.

OPERATIONAL AND LEGAL RISK - UNSUITABLE INFRASTRUCTURE DUE TO LACK OF POLICIES, PROCEDURES AND/OR RESOURCES

Regarding Insurance Holding Company Model Act (Model #440) Section 4 – Registration of Insurers and Section 5 – Standards and Management of an Insurer Within a Holding Company System; holding company group members may inappropriately shift insurance company assets to other group members.

BEST PRACTICES

- Make management responsible to ensure assets remain as such unless otherwise approved by the domiciliary jurisdiction.

- The insurer’s management should be responsible for ensuring that an annual evaluation is made of corporate governance and internal control procedures and for communicating the results of the evaluation to the board of directors.

- The senior management corporate governance and internal control procedures should be reviewed and assessed when deemed necessary.

D. AFFILIATED MANAGEMENT AND SERVICE AGREEMENTS

1. CHARGES FOR FEES FOR SERVICES

SSAPs 25 and 70 and Appendix A-440 discuss the Transactions Involving Services, Allocation of Costs, and Other Management Requirements.

Transactions entered into at arm’s length by unaffiliated parties who willingly and freely (not under compulsion) enter into a transaction and arrive by negotiation at an agreed upon price (value) are by definition fair and reasonable. In the case of two or more affiliates, transactions can be deemed to be at arm’s length (and therefore fair and reasonable) if the transactions are entered into at rates equivalent to current market rates or on an allocation of actual costs. Some regulators consider transactions of an allocation of “costs plus a mark-up or discount” as neither at market nor at cost because these transactions may not be deemed to be at arm’s length transaction and may require more analysis to determine if it is fair and reasonable.

Transactions at Market Rate – there are at least three ways to establish fairness and reasonability with substantiating documents:

- The entity providing the service performs a substantial portion of its business with non-affiliated entities and can establish a price for affiliates similar to charges to non-affiliates, since the non-affiliates are assumed to have negotiated at arm’s length.

- The entity receiving the services analyzes and retains up-to-date documentation of localized market rates of services that could be provided to the entity by non-affiliated parties. Since each transaction of service is unique, determining a fair and reasonable charge is very difficult and time consuming. This method is the least relevant and reliable, and not efficient in establishing the rate.
Transactions at cost plus mark-up that is equal to market rate should be reviewed carefully and should be deemed fair and reasonable. Transactions at cost plus mark-up that is less than market rate should be reviewed carefully to determine if it is fair and reasonable.

Transactions at Cost – this is the simplest method to determine fair and reasonable. The costs borne by the entity providing the agreed upon services are simply allocated to the entity receiving those services. As stated in the SSAPs, cost allocation must be done in ways that yield the most accurate results. Theoretically the service provider should not make a profit or incur a loss if the transaction is at cost.

- Can be apportioned directly as if the entity incurring the expense had paid for it directly, or
- Allocated using pertinent factors or ratios such as studies of employee activities, salary ratios or similar analysis.

Transactions at cost less a discount should be reviewed carefully to determine if it is fair and reasonable.

If cost is the method used (or required) to establish “reasonability,” identifying a “rate per unit” estimated on the amount of costs and number of units, does not in and of itself make the charge reasonable. This rate per unit is a close approximation of the actual costs. Using a rate per unit is merely a method for easily calculating interim payments that are due to the provider of the service. If a rate per unit is used to allocate costs, an expense “true-up” needs to be prepared and settled at least annually to reconcile the estimated costs (payments) with the actual costs incurred. The expense “true up” essentially replaces the estimated amounts with the actual amounts and includes the subsequent settlement of any differences.

Note: alien transactions will need additional deliberation due to potential conflicts between international tax laws and provision of services at cost vs. market.

2. **Regulator Considerations**

Items for initial filing review—the actual document(s) should be filed, not merely a summary:

- Identify and document:
  - The specific services that will be provided.
  - The specific expenses and/or costs that are to be covered by each party.
  - Separate affiliate entities from non-affiliates.
  - The entity(ies) providing and receiving each of those services.
  - The charges or fees for the services indicated.
  - The accounting basis used to apportion expenses.
  - Confirm that contract provisions will be accounted for in accordance with SSAPs.
  - Invoicing and settlement terms (should allow for admittance under SSAP 96).
  - The effective date and termination date.
  - The records rights and policies of each entity that is a party in the contract.
  - The governing law.
  - Any unique and relevant clauses not covered above.
  - Financial statements of the entity providing the services.

Other Considerations for Review of the Agreement:

- Determine the reasonableness of the allocation method and the charges or fees.
- Determine the agreement does not divert funds that could be considered a dividend.
• Summarize the business rationale for purpose and need of the agreement.
• Summarize the financial impact of the agreement on the company’s surplus or financial condition.
• Summarize the impact the agreement would have on the priority status of the company.
• Summarize the reasons to approve/disapprove the agreement.
III. BEST PRACTICES FOR PARTICIPATING IN INTERNATIONAL SUPERVISORY COLLEGES


The following provides additional reference on how the IAIS key features regarding supervisory college participation might work in the US Framework:

A supervisory college is a regulatory tool which is incorporated into the existing risk-focused surveillance approach when a holding company system contains internationally active legal entities with material levels of activity and is designed to work in conjunction with a regulatory agency’s analytical, examination and legal efforts. The supervisory college attempts to create a more unified approach to addressing global financial supervision issues. Effective and efficient regulatory scrutiny of group-wide issues should occur in the context of an organized global approach and involve all significant regulatory parties, including regulatory agencies from countries outside of the US, and other state and federal agencies within the US.

LEAD STATE – COORDINATION/COMMUNICATION OF INFORMATION

The following are suggestions relating to the role of the lead U.S. state to function as the U.S. contact for parent holding companies domiciled in other countries.

Consistent communication with applicable international regulators through the voluntary submission of information via the web-based NAIC International Supervisory Colleges Request Form.
The lead state should be available to attend supervisory colleges and for informal conference calls;
Consistency in who participates in the supervisory college is recommended for continued building of international relationships;
Lead state should gather all applicable material from non-lead domestic states in preparing for international meetings/calls including a conference call with all applicable domestic regulators; (see the section on state-to-state communication process)

Within a reasonable time period after attending the supervisory college, the lead state should initiate a conference call with all non-lead domestic regulators, summarizing the supervisory meeting and any effects on the domestic companies.

The U.S. lead state plays a key role in coordinating communication to and from the international holding companies to the non-lead states.

Lead state’s financial review of the international holding companies:

- Good understanding of the holding company organizational structure.
- Keep current of the financial review of the ultimate controlling person’s financial statements and those of key subsidiaries.
- Keep current of the significant events that impact the holding company system (e.g., financial, market, stock, catastrophic, etc.)
- Maintain contact with the international holding companies and the international regulators.
- Coordinate the sharing and requesting of information where appropriate.

Lead state coordination among the international holding companies, international regulators and non-lead states:

- Serve as the lead to coordinate communication among the international holding companies, the international regulators and the non-lead states.
- Maintain open communication to address issues/concerns from the non-lead states.
- Provide assistance to the non-lead states in securing documents from the international holding companies.
- Initiate multi-state conference call through the NAIC to update the non-lead states on issues/concerns/events of the international holding companies.
- Collect and share issues/concerns among all non-lead states.

A. OTHER CONSIDERATIONS NOT ADDRESSED BY THE IAIS GUIDANCE PAPER ON THE USE OF SUPERVISORY COLLEGES IN GROUP-WIDE SUPERVISION

No additional best practices other than those captured in the October 2009 IAIS Guidance Paper on the Use of Supervisory Colleges in Group-Wide Supervision. The following provides additional reference on how the IAIS key features might work in the US framework:

A Supervisory College is a tool which is incorporated into the existing Risk Focused Surveillance approach and designed to work in conjunction with a regulatory agency’s analytical, examination and legal efforts.

The Supervisory College attempts to create a more unified approach towards addressing global financial supervision issues. Effective and efficient regulatory scrutiny of group-wide issues should occur in the context of an organized approach with all significant regulatory parties involved which could include regulatory agencies from countries outside of the United States, and other state and federal agencies within the United States.

The Supervisory College allows its participating members to routinely communicate on matters such as the following: possible enterprise risk, material activities, changes in controlling interest, corporate governance, recent filings, and examinations.

A Supervisory College establishes a routine for establishing a regular communication channel with the appropriate company personnel which can be beneficial in identifying the appropriate company contacts quickly in the event of a crisis.

A Supervisory College is a commitment towards cooperation in making advanced preparations for dealing with financial crisis events and in managing crises. A Supervisory College further encourages a company’s identification and implementation of contingency plans and procedures. A Supervisory College allows its regulatory member participants to better understand the differing approaches which are utilized by each participant in their attempts to regulate matters. The better understanding of differing regulatory approaches prior to a crisis situation can assist in avoiding undue concerns and/or unwarranted
emphasis on unnecessary items and helps focus attention in a more timely and effective manner if a crisis should occur.
III. APPENDICES

A. REFERENCES

IAIS Guidance Paper on the Use of Supervisory Colleges in Group-Wide Supervision [October 2009]
### B. Federal Agency Holding Company Regulation

<table>
<thead>
<tr>
<th>Agency</th>
<th>Form</th>
<th>Report Title</th>
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<th>Contact</th>
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<tbody>
<tr>
<td><strong>FRB</strong></td>
<td><strong>Form H-(b)10</strong></td>
<td>S&amp;L Holding Co. Registration Statement</td>
<td>Savings and loan holding companies must file upon their creation. <a href="http://www.federalreserve.gov/reportforms/slhc/otsforms.cfm">http://www.federalreserve.gov/reportforms/slhc/otsforms.cfm</a></td>
<td>Federal Reserve Bank where reports are submitted</td>
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<tr>
<td><strong>FRB</strong></td>
<td><strong>Form H-(b)11</strong></td>
<td>Annual and Current Reports</td>
<td>Includes SEC filings, audited annual financial statements, quarterly financial statements, descriptions of material events, etc. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm">http://www.federalreserve.gov/reportforms/ReportDetail.cfm</a></td>
<td>Federal Reserve Bank where reports are submitted</td>
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<tr>
<td><strong>Form H-(e)</strong></td>
<td>Application Processing</td>
<td>For acquisitions and reorganizations, <a href="http://www.federalreserve.gov/reportforms/slhc/otsforms.cfm">http://www.federalreserve.gov/reportforms/slhc/otsforms.cfm</a></td>
<td>Federal Reserve Bank where reports are submitted</td>
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<tr>
<td><strong>SEC</strong></td>
<td><strong>S-4EF</strong></td>
<td>Auto effective registration statement for securities issued in connection with the formation of a bank or savings and loan holding company in compliance with General Instruction G</td>
<td>These and all other forms available at: <a href="http://sec.gov/about/forms/secforms.htm">http://sec.gov/about/forms/secforms.htm</a></td>
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<tr>
<td><strong>Forms 3, 4, 5</strong></td>
<td>Corporate Insiders and Beneficial Owners</td>
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<td>Telephone: <a href="http://sec.gov/contact/phones.htm">http://sec.gov/contact/phones.htm</a></td>
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<tr>
<td><strong>Form 8-K</strong></td>
<td>Current Report</td>
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<td>Mailing: <a href="http://sec.gov/contact/addresses.htm">http://sec.gov/contact/addresses.htm</a></td>
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<tr>
<td><strong>Form 10-K</strong></td>
<td>Annual Report</td>
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<td><strong>Form 10-Q</strong></td>
<td>Quarterly Report</td>
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<td><strong>Form 13-F</strong></td>
<td>Inst. Investment Managers</td>
<td>Must be filed by Institutional Investment managers who exercise investment discretion over $100 million or more.</td>
<td>Denver Regional Office Donald Hoerl, Regional Director 1801 California Street, Suite 1500 Denver, CO 80202-2656 (303) 844-1000 e-mail: <a href="mailto:denver@sec.gov">denver@sec.gov</a> State jurisdiction: Colorado, Kansas, Nebraska, New Mexico, North Dakota, South Dakota, Wyoming</td>
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<td><strong>Form D</strong></td>
<td>Form D</td>
<td>Filed by those exempted from Regulation D</td>
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<td><strong>Form ID</strong></td>
<td>Edgar Application</td>
<td>Application for access codes to Edgar</td>
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<td>FFIEC</td>
<td>FFEIC 031 and 041</td>
<td>Report of Condition and Income</td>
<td><a href="http://www.ffiec.gov/ffiec_report_forms.htm">http://www.ffiec.gov/ffiec_report_forms.htm</a></td>
<td>Contact: OCC for thrifts and FRB for savings and loan holding companies. This is an FFIEC Report form required by the FDIC, the Fed, or the OCC depending on charter of the respondent bank, so I would put this in FFIEC category; also might wish to indicate what the distinction is between the two report forms (see FFIEC website for details).</td>
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<td>FRB</td>
<td>FR Y-8</td>
<td>The Bank Holding Company Report of Insured Depository Institutions’ Section 23A Transactions with Affiliates</td>
<td>All top-tier BHCs, including financial holding companies, must provide this report for each insured depository institution that they own. Savings and loan holding companies begin filing this report as of March 31, 2013 unless the SLHC is exempt. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-8&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-8&amp;WhichCategory=1</a></td>
<td><a href="http://www.federalreserve.gov/feedback.cfm">http://www.federalreserve.gov/feedback.cfm</a> or call the Federal Reserve Bank where your company submits its reports.</td>
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<tr>
<td>FR Y-9C</td>
<td>Consolidated Financial Statements for Bank Holding Companies</td>
<td>All top-tier BHCs and savings and loan holding companies with consolidated assets of $500 million or more, and bank holding companies meeting certain criteria regardless of size, must file this report. See the instructions for further detail. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-9C&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-9C&amp;WhichCategory=1</a></td>
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<td>FR Y-9LP</td>
<td>Parent Company Only Financial Statements for Large Bank Holding Companies</td>
<td>All BHCs and savings and loan holding companies with a parent that files the FR Y-9C must file this parent company only report. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-9LP&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-9LP&amp;WhichCategory=1</a></td>
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<td>FR Y-9SP</td>
<td>Parent Company Only Financial Statements PY for Small Bank Holding Companies</td>
<td>All BHCs and savings and loan holding companies with consolidated assets less than $500 million, except BHCs that meet certain criteria and file the FR Y-9C, must file this parent company only report. See the instructions for further detail. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-9SP&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-9SP&amp;WhichCategory=1</a></td>
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<td>FR Y-9ES</td>
<td>Financial Statements for Employee Stock Ownership Plan Bank Holding Companies</td>
<td>All Employee Stock Ownership Plans (ESOPs) that are also bank holding companies as of the last calendar day of the year must file this report. Savings and loan holding companies will begin filing this report as of December 31, 2013 unless the SLHC is exempt. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-9ES&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-9ES&amp;WhichCategory=1</a></td>
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<td>FR Y-11</td>
<td>Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies</td>
<td>Required of any top-tier BHC that has total consolidated assets of $500 million or more as of June 30 of the preceding year or files the FR Y-9C to meet supervisory needs and with a nonbank subsidiary that meets any one of the following criteria: 1) the total assets of the nonbank subsidiary are equal to or greater than $1 billion; 2) the nonbank subsidiary’s off-balance-sheet activities are equal to or greater than $5 billion; 3) the nonbank subsidiary’s equity capital is equal to or greater than five percent of the top-tier BHC’s consolidated equity capital; or 4) the nonbank subsidiary’s consolidated operating revenue is equal to or greater than five percent of the top-tier BHC’s consolidated operating revenue. Subsidiaries that were created for purposes of issuing trust preferred securities are omitted from reporting on this series. A nonbank subsidiary that does not meet any of the criteria to file quarterly, but has total assets greater than or equal to $250 million (but less than $1 billion) submit this report annually. Subsidiaries that were created for purposes of issuing trust preferred securities are omitted from reporting on this series. Savings and loan holding companies will begin filing this report as early as March 31, 2013 (see reporting criteria) unless the SLHC is exempt. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-11/FR_Y-11S&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-11/FR_Y-11S&amp;WhichCategory=1</a></td>
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<tr>
<td>FR Y-11S</td>
<td>Abbreviated Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies</td>
<td>A non-bank subsidiary that does not meet any of the criteria to file the detailed report, but does meet one of the following criteria: 1) the nonbank subsidiary has total assets equal to or greater than $50 million (but less than $250 million), or 2) the subsidiary’s total assets are greater than one percent of the consolidated top-tier organization’s total assets. Subsidiaries that were created for purposes of issuing trust preferred securities are omitted from reporting on this series. Savings and loan holding companies will begin filing this report as of December 31, 2013 unless the SLHC is exempt. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-11S&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-11S&amp;WhichCategory=1</a></td>
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<td>FR Y-12</td>
<td>Consolidated Bank Holding Company Report of Equity Investments in Nonfinancial Companies</td>
<td>All top-tier domestic BHCs that file an FR Y-9C and have aggregate nonfinancial equity investments that equal or exceed the lesser of $100 million (on an acquisition cost basis) or 10 percent of the BHC’s consolidated Tier 1 capital as of the report date; and the BHC holds, either directly or indirectly through a subsidiary or affiliate, any non-financial equity investments with a Small Business Investment Company (SBIC) structure, or under section 4(c)(6) or 4(c)(7) of the Bank Holding Company Act, or pursuant to the merchant banking authority of section 4(k)(4)(H) of the Bank Holding Company Act, or pursuant to the investment authority granted by Regulation K. Savings and loan holding companies will begin filing this report as of March 31, 2013 unless the SLHC is exempt. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-12&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-12&amp;WhichCategory=1</a></td>
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<td>FR Y-12</td>
<td>Consolidated Bank Holding Company Report of Equity Investments in Nonfinancial Companies</td>
<td>All top-tier domestic BHCs that file an FR Y-9SP and have aggregate nonfinancial equity investments that equal or exceed 10 percent of the BHC’s total capital as of the report date; and the BHC holds, either directly or indirectly through a subsidiary or affiliate, any non-financial equity investments with a Small Business Investment Company (SBIC) structure, or under section 4(c)(6) or 4(c)(7) of the Bank Holding Company Act, or pursuant to the merchant banking authority of section 4(k)(4)(H) of the Bank Holding Company Act, or pursuant to the investment authority granted by Regulation K. Savings and loan holding companies will begin filing this report as of June 30, 2013 unless the SLHC is exempt. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-12&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-12&amp;WhichCategory=1</a></td>
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<td>FR Y-12A</td>
<td>Annual Report of Merchant Banking Investments Held for an Extended Period</td>
<td>Financial holding companies (FHCs) that have owned, controlled or held investments under the Merchant Banking Authority (section 4(k)(H) of the Bank Holding Company Act and Subpart J of Regulation Y) for a period that exceeds the “applicable reporting period” for the investment, as of December 31 of the relevant calendar year. Savings and loan holding companies will begin filing this report as of December 31, 2013 if applicable or the SLHC is exempt. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-12A&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-12A&amp;WhichCategory=1</a></td>
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<td>FR Y-20</td>
<td>Financial Statements for a Bank Holding Company Subsidiary Engaged in Bank-Ineligible Securities Underwriting and Dealing</td>
<td>Required of all BHCs that applied and received Federal Reserve Board approval under section 4(c)(8) of the Bank Holding Company Act and section 225.23 of Regulation Y for their designated Section 20 subsidiaries to engage in underwriting and dealing in bank-ineligible securities to a limited extent. The parent company includes a foreign bank that is treated as a BHC under the International Banking Act of 1978 and the Bank Holding Company Act of 1956. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-20&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-20&amp;WhichCategory=1</a></td>
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<td>FR 2314</td>
<td>Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations</td>
<td>A U.S. banking organization must file quarterly for its subsidiary if the foreign subsidiary is owned or controlled by a parent U.S. BHC that files the FR Y-9C or parent state member bank or Edge and agreement corporation, has total consolidated assets equal to or greater than $500 million, and the foreign subsidiary meets any one of the following criteria: 1) the foreign subsidiary's total assets are greater than or equal to $1 billion; 2) the foreign subsidiary's off-balance-sheet activities are greater than or equal to $5 billion; 3) the foreign subsidiary's equity is greater than or equal to five percent of top-tier consolidated equity capital; or 4) the foreign subsidiary's operational revenue is greater than or equal to five percent of the top-tier consolidated operating revenue. A foreign subsidiary that does not meet any of the criteria to file quarterly, but has total assets greater than or equal to $250 million (but less than $1 billion) must file this report annually. Savings and loan holding companies will begin filing this report as early as March 31, 2013 (see reporting criteria) unless the SLHC is exempt. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_2314&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_2314&amp;WhichCategory=1</a></td>
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<td>FR</td>
<td>2314S</td>
<td>Abbreviated Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations</td>
<td>Required of a foreign subsidiary that does not meet the criteria to file the detailed report, but does meet one of the following criteria: 1) foreign subsidiary has total assets equal to or greater than $50 million (but less than $250 million), or 2) the foreign subsidiary's total assets are greater than or equal to one percent of the consolidated top-tier organization's total assets. Savings and loan holding companies will begin filing this report as of December 31, 2013 (see reporting criteria) unless the SLHC is exempt. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_2314S&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_2314S&amp;WhichCategory=1</a></td>
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<td>FR</td>
<td>Y-6</td>
<td>Annual Report of Holding Companies</td>
<td>Required of all top-tier BHCs, top-tier savings and loan holding companies, ESOPs that are also BHCs or SLHCs, and securities holding companies. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-6&amp;WhichCategory=1">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-6&amp;WhichCategory=1</a></td>
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<td>FR</td>
<td>Y-10</td>
<td>Report of Changes in Organization's Structure</td>
<td>Required of all top-tier BHCs, including FHCs, top-tier savings and loan holding companies, ESOPs that are also BHCs or SLHCs, and securities holding companies, state member banks that are not controlled by a BHC or an FBO; Edge and agreement corporations that are not controlled by a member bank, a domestic BHC, or an FBO; nationally chartered banks, with regard to their foreign investments only, that are not controlled by a BHC or an FBO; and FBOs. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-10&amp;WhichCategory=2">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FR_Y-10&amp;WhichCategory=2</a></td>
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<td>FFIEC</td>
<td>101</td>
<td>Risk-Based Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework</td>
<td>Required of each bank, BHC, and saving association that qualifies for and adopts the Advanced Capital Adequacy Framework to calculate their risk-based capital requirement or such organizations that are in the parallel run stage of qualifying to adopt this framework. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FFIEC_101&amp;WhichCategory=2">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FFIEC_101&amp;WhichCategory=2</a></td>
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<td>FFIEC</td>
<td>009</td>
<td>Country Exposure Report</td>
<td>Required of U.S. commercial banks and BHCs holding $30 million or more in claims on residents of foreign countries. See the report instructions for additional criteria. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FFIEC_009&amp;WhichCategory=3">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FFIEC_009&amp;WhichCategory=3</a></td>
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<tr>
<td>FFIEC</td>
<td>009a</td>
<td>Country Exposure Information Report</td>
<td>Respondents file the FFIEC 009a if exposures to a country exceed 1 percent of total assets or 20 percent of capital of the reporting institution. FFIEC 009a respondents also furnish a list of countries in which exposures were between 3/4 of 1 percent and 1 percent of total assets or between 15 and 20 percent of capital. <a href="http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FFIEC_009a&amp;WhichCategory=3">http://www.federalreserve.gov/reportforms/ReportDetail.cfm?WhichFormId=FFIEC_009a&amp;WhichCategory=3</a></td>
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