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June 10, 2009

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Dear David,

We would like to thank you for the opportunity to comment on the questionnaires of the Group Solvency Issues Working Group of the Solvency Modernization Initiative (EX) Task Force dealing with holding company issues, dated May 12, 2009.

The American Council of Life Insurers represents 340 member companies operating in the United States, of which 332 are legal reserve life insurance companies, and 8 are fraternal benefit societies. These 340 member companies account for 93% of total life insurance company assets, 94% of the life insurance premiums, and 94% of annuity considerations in the United States.

We appreciate the Working Group's study of the NAIC Insurance Holding Company System Model Regulatory Act (Holding Company Act) through the Solvency Modernization Initiative and the many issues related to the supervision of national and international groups. In light of the current regulatory reform discussions within the Administration and Congress and potential for federal legislation on holding company oversight, the NAIC will need to wait for the details of these federal legislative initiatives before suggesting any modifications to the Holding Company Act.

Due to the compressed timeframe provided for responses to the Working Group questionnaire and the scope of the issues to be considered, this letter provides a preliminary response and certain examples of areas of concern. We would appreciate the opportunity to provide additional comments and suggestions for enhancement as the Working Group's study develops.

Assessment of Current Insurance Holding Company System Model Regulatory Act Powers

We encourage the Working Group to explore efficiency and uniformity of current holding company financial filings and to focus on an examination of existing regulatory powers under the Holding Company Act to consider ways for more effective use of the Act in its current form.¹ Voluminous amounts of

¹ For example, section 6 of the Holding Company Act empowers the commissioner to order a registered insurer or its affiliates to produce books, records, or other information as reasonably necessary to ascertain financial condition of the insurer or to determine compliance and the power to examine the affiliates. Section 13 of the Holding Company Act provides the commissioner with the authority to suspend, revoke or refuse to renew an insurer's license where a violation of the Act has been committed for the protection of policyholders or the public.

information are already required to be filed under the Holding Company Act, and the scope and substance of the existing requirements should be reviewed to make existing disclosures more effective before developing a new model law. Powers granted under the Holding Company Act provide insurance regulators with considerable authority to: (i) regulate acquisitions of control of domestic insurers; (ii) review and approve a wide range of transactions between and among insurers and their affiliates; (iii) ascertain financial condition and examine affiliates, and (iv) regulate extraordinary dividends.

Recommendations to enhance the Insurance Holding Company System Model Regulatory Act

The following are examples of some operational issues that we would like to suggest to improve the Holding Company Act:

- Examine confidentiality and other protections in current state laws and current state holding company laws for purposes of sharing information among state, federal and international regulators (i.e. international supervisory colleges).
- Regardless of administrative form, regulation should not result in any unfair, discriminatory treatment of foreign owned US insurance or insurance holding companies relative to similarly situated US owned insurers or insurance holding companies or disruption of home country regulation of non US companies affiliated with US insurers. The system should recognize those requirements applicable to the insurer's foreign or non-US parent which are broadly equivalent to US regulations.

Pertinent Group-Wide International Issues (list is not exhaustive)

- There should be a set of harmonized solvency and accounting standards globally.
- Solvency treatment of policyholders must be equitable and fair across jurisdictions. This requires a 'level' playing field for insurance entities in regards to solvency requirements.
- A common structure for the calculation of the main supervisory intervention points should be adopted for group supervision.
- There should be a mechanism that permits equivalence among regulatory bodies, especially in light of the current Solvency II debate.
- There must be a functional structure for group supervision that is effective from the insurance supervisors view and efficient from the insurance entities view. A structure such as the College of Supervisors could be considered.
- The fungibility of capital must be clearly defined and appropriate parameters established. Diversification should be recognized to the full extent that can be adequately demonstrated.
- A minimum level of risk management standards is necessary in order to ensure adequate policyholder protection.

We look forward to working with you on these critical issues. Do not hesitate to contact me in case of any questions.

Sincerely,



Robert H. Neill, Jr.