

STATE LEGISLATIVE BRIEF



The NAIC Holding Company Model Act

- *In December 2014, the NAIC adopted revisions to the NAIC Holding Company Act (#440) and Model Regulation (#450) to clarify legal authority and powers to act as a group-wide supervisor for internationally active insurance groups. This clarification helps ensure that international regulators will recognize and essentially defer to state insurance departments as authorized group-wide supervisors for U.S insurance groups operating internationally.*
- *The December 2014 amendments authorize state insurance departments to engage group-wide supervision activities such as requesting group level information, assessing enterprise risks affecting the group, compelling the development and implementation of reasonable measures to recognize and mitigate enterprise risks, and communicating and sharing group-wide information with other regulators.*

Background

The NAIC's *Insurance Holding Company System Regulatory Act* (#440) and *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450) have provided state insurance departments the framework for insurance group supervision since the early 1970s. Following the 2008 financial crisis, state regulators identified group supervision as an area where improvements could be made to the U.S. system. In December 2010, the NAIC adopted changes to the NAIC Holding Company Act and Regulation, enhancing the domestic legal structure under which holding companies are supervised. These changes are a required element of the NAIC Accreditation Program and have been adopted by all accredited U.S. jurisdictions.

However, after adopting changes to address domestic issues related to group supervision, questions remained regarding how to deal with some of these issues on the international front. Therefore, in December 2014, the NAIC membership adopted additional changes that clarify the legal authority and power of a state to act as a group-wide supervisor for internationally active insurance groups (IAIGs), as well as the authority for domestic regulators to cooperate in requiring certain action by the insurance holding company system (IHCS). Specific authority granted to group-wide supervisors through the amendments include the ability to request group level information, assess the enterprise risks affecting the group, compel the development and implementation of reasonable measures to recognize and mitigate enterprise risks, and communicate and share group-wide information with other regulators. States with U.S.-based insurance groups where that state would be considered the group-wide supervisor of an IAIG are expected to adopt the revised language. Other states should adopt this model because of its consideration of state regulatory cooperation to require certain action by the IHCS. Accordingly, these changes are also a required element of the NAIC Accreditation Program.

Key Points

- ✓ To date, the 2014 revisions have been adopted by 26 states (AL, AR, CA, CT, DE, FL, IN, IA, KS, LA, MA, ME, MS, NE, NV, NH, NJ, ND, OH, OK, OR, PA, RI, TN, TX and VT) and 1 territory (USVI).
- ✓ The 2014 revisions are needed to clarify legal authority and the power of a state to act as the group-wide supervisor for an internationally active insurance group, or IAIG.
- ✓ The revisions also allow a state to cooperate with other domestic regulators to require certain actions by the insurance holding company system, or IHCS.
- ✓ The 2014 revisions are an accreditation requirement, effective January 1, 2020.

