

# STATE LEGISLATIVE BRIEF



## The NAIC Holding Company Model Act

- *In 2010, the NAIC adopted revisions to the NAIC Holding Company Act (#440) and Model Regulation (#450) in response to the financial crisis and subsequent analysis and identification of regulatory reforms needed to strengthen the U.S. system of state-based regulation.*
- *Holding company analysis was subsequently made an NAIC accreditation standard. States began implementing this requirement in January 2012, and in January 2014, states began to be scored on the quality of this analysis.*
- *In December 2014, additional amendments to the model were adopted in order 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

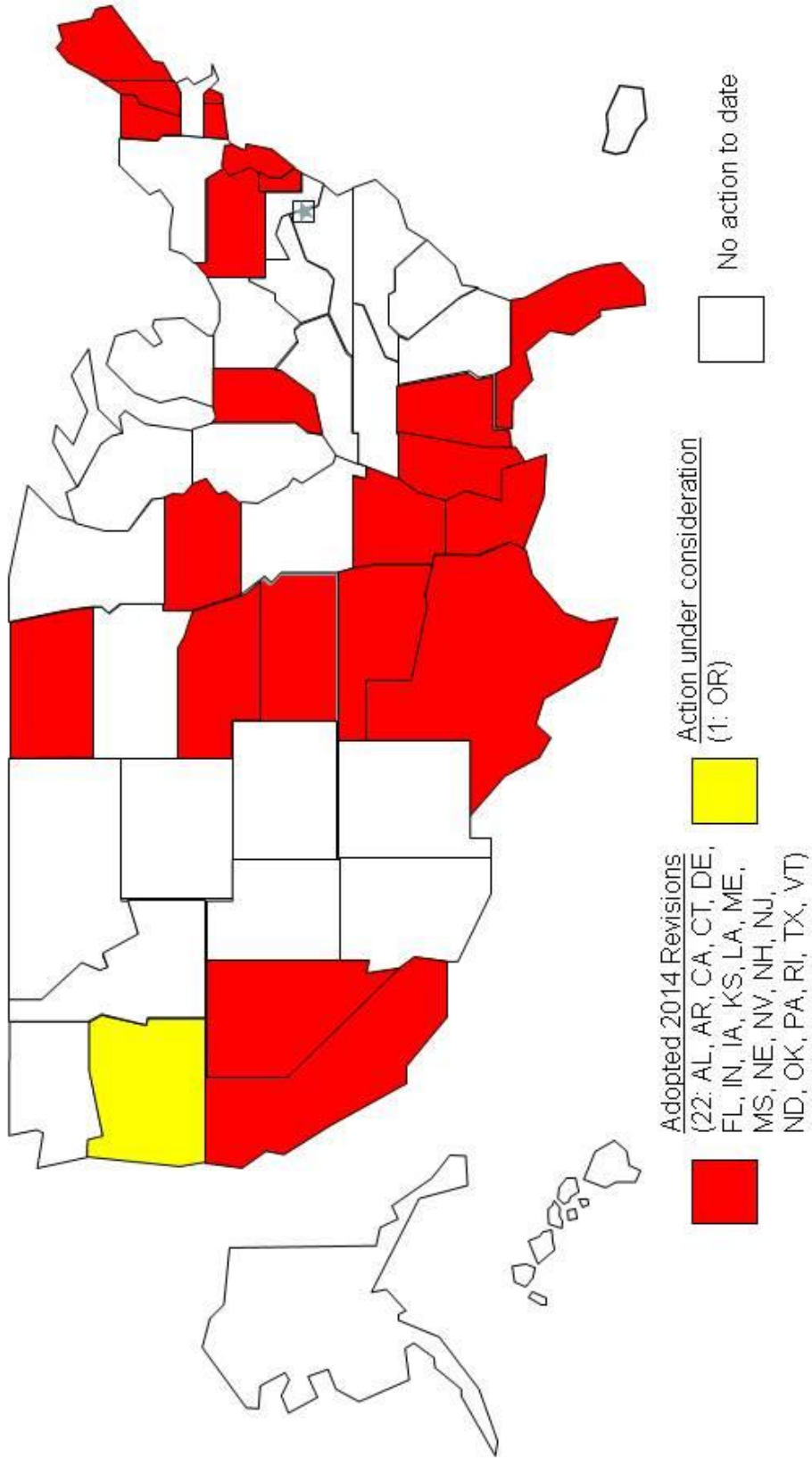
The NAIC's *Insurance Holding Company System Regulatory Act* (#440) and *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450) have provided state insurance departments the framework for insurance group supervision since the early 1970s. Following the 2008 financial 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 legal structure under which holding companies are supervised. These changes include the requirement for all groups, regardless of size, to submit a new annual Enterprise Risk Report (Form F); a clarification that regulators have the authority to examine the insurer and all of its affiliates; and the authority for regulators to recoup expenses incurred for attending or conducting supervisory colleges from domestic insurers whose group is engaging in international activities. This, however, left questions on the international front.

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.

### Key Points

- ✓ To date, the 2010 revisions to the NAIC Holding Company Model Act and Regulation have been adopted by all 50 states, the District of Columbia and Puerto Rico, and the 2014 revisions have been adopted by 22 states (AL, AR, CA, CT, DE, FL, IN, IA, KS, LA, ME, MS, NE, NV, NH, NJ, ND, OK, PA, RI, TX and VT).
- ✓ The 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 2014 revisions also allow a state to cooperate with other domestic regulators to require certain actions by the insurance holding company system, or IHCS.

**Implementation of 2014 Revisions to Model #440 (Internationally Active Insurance Groups)  
Insurance Holding Company System Regulatory Act**  
[status as of June 27, 2017]



This map represents state action or pending state action addressing the topic of the model. This map does not reflect a determination as to whether the pending or enacted legislation contains all elements of the model or whether a state meets any applicable accreditation standards.