

**GLOBAL TRENDS IN RISK-BASED SUPERVISION:**

***THE U.S. REGULATORY VIEW***

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**3<sup>RD</sup> CONFERENCE ON GLOBAL INSURANCE SUPERVISION**

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**NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS (NAIC)**



National Association of Insurance Commissioners

# Group Supervision

- U.S. Approach to Group Supervision
  - Holding Company Analysis
  - Supervisory Colleges
  - Assess ERM Risks
  - Assess Corporate Governance Risks
- Future?

# Holding Company Analysis

- Requirement for the lead state on each U.S. group
  - Understand the Holding Company System
  - Evaluate the overall financial condition of the Holding Company System
  - Discussions with other functional and international regulators



# Supervisory Colleges

- International concept
  - For internationally active groups or large regional groups
- Determination of group wide supervisor
- Chairing the meeting
- Supervisory college membership (e.g. Tiers, size)
- Information sharing agreements
- Setting the date
- Logistics
- Understanding the risks of the group
- Agenda
- Output from each meeting

# ORSA Requirements

## Risk Management and ORSA Model Act adopted by NAIC in September 2012

- Imposes 3 core requirements on a state's domestic insurers (unless exempt)
- Effective January 1, 2015
- Exempts insurers <\$500 million premium, groups <\$1 billion premium
- **ORSA Guidance Manual** - Adopted by NAIC in March 2012
  - Requires **ORSA Summary Report**
    - Section 1 – Description of Insurer's Risk Management Framework
    - Section 2 – Insurer's Assessment of Risk Exposure
    - Section 3 – Group Risk Capital and Prospective Solvency Assessment

### **Current Status**

- The ORSA Model Act is available for states to adopt as law
- 19 states have adopted the ORSA Model Act
- The NAIC is considering certain sections of the Model as Accreditation requirements
- **ORSA Feedback Pilot Projects**
  - 2012, 2013, and 2014

# Corporate Governance

- U.S. corporate governance framework includes:
  - Licensing
  - Reporting
  - Ongoing solvency oversight
  - Corrective action, when necessary
- The NAIC Corporate Governance Working Group recently adopted a new *Corporate Governance Annual Disclosure Model Act* and supporting model regulation
  - Models will require extensive reporting of insurers' governance practices to regulators on an annual basis
- All of the actions of the Working Group will result in enhancements to existing U.S. corporate governance requirements
  - Annual Reporting
  - Internal Audit Function Requirement
  - Enhanced Authority to Require Corrective Action
  - Common Assessment Methodology