GLOBAL TRENDS IN RISK-BASED SUPERVISION:
THE U.S. REGULATORY VIEW
SEPTEMBER 9, 2014
3RD CONFERENCE ON GLOBAL INSURANCE SUPERVISION

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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