

U.S. Solvency Modernization Initiative



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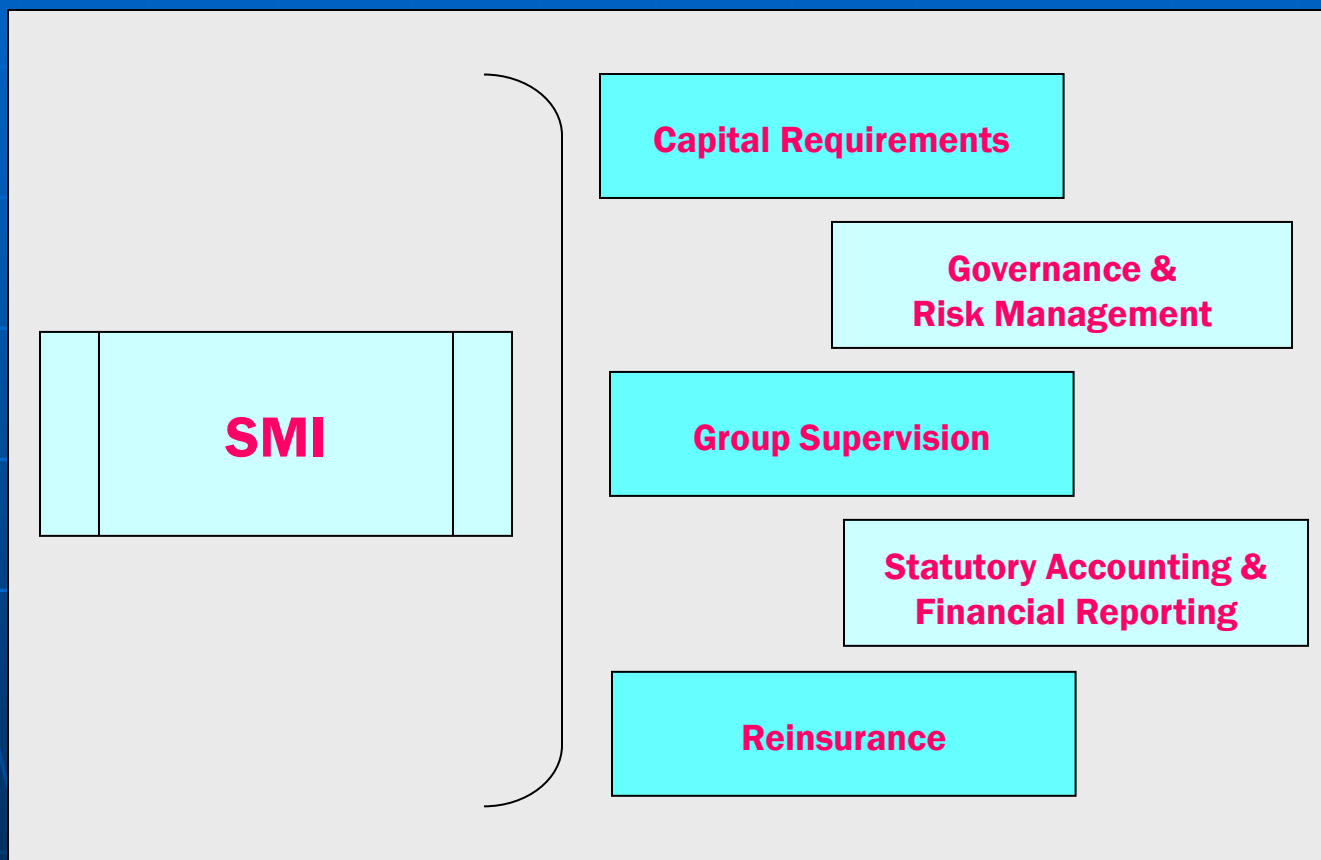
Director, Arizona Department of Insurance

Chair, Solvency Modernization Initiative Task Force

What is the SMI?

- Critically review the U.S. Regulatory Solvency Framework
 - 7 Core Principles
 - International developments
 - IAIS Insurance Core Principles, IMF FSAP
 - Financial crisis – AIG Fallout

SMI Focus Areas



Governance and Risk Management

- Corporate governance statutes, case law and international developments
- White Paper on U.S. Corporate Governance Principles
- Existing Regulatory Authority
- Own Risk and Solvency Assessment “ORSA”
 - (1) The company’s or group’s risk management process and risk mitigation
 - (2) Stress Tests
 - (3) *Prospective* Solvency Assessment (3-5 years)
 - (4) Group Capital
- ERM Interim Meeting

Capital Requirements

- RBC Focus on weakly capitalized companies
- RBC Improvements
 - Add missing risk charges
 - Evaluate correlation methodology (e.g. square root formula)
- Partial Internal models for RBC
- Group capital; ORSA

Statutory Accounting & Financial Reporting

- Valuation (Life Insurance Principles-Based Reserving)
 - 2011 Impact Study
 - Standard Valuation Model Law
 - Valuation Manual
- Future of Statutory Accounting
 - International accounting standards development - IFRS
 - SEC, FASB, IASB
 - IAIS valuation standards – ICP14
 - Await Developments

Reinsurance

- Reinsurance Regulatory Modernization Framework
 - Financial Strength
 - Collateral Adjustments
 - Certified Reinsurers
 - Qualified Jurisdictions
- State reinsurance collateral reforms
- Revisions to Reinsurance Model Laws
- Accreditation

Group Solvency

- Holding Company Model Act & Amendments
 - Enterprise Risk Form F
 - Affiliate Transactions
 - Supervisory Colleges
- IAIS ComFrame for the supervision of internationally active groups
- IAIS Supervisory Forum

SMI Roadmap

- All major policy decisions by December 2012
- RBC update
- ERM Symposium
- Major Accomplishments
 - US Solvency Framework
 - Standard Valuation Law
 - Group Holding Company Model Act and Regulation Amendments
- 2011 – Expect significant SMI activity!

SMI Information

NAIC Website www.naic.org

- Solvency Modernization Initiative button



- Consultation papers
- Links to Task Forces & Working Groups
- Updates