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## STATEMENT

### PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

#### S.B. 411-AN ACT CONCERNING THE INSURANCE HOLDING COMPANY SYSTEM REGULATORY ACT

#### COMMITTEE ON INSURANCE AND REAL ESTATE

March 13, 2012

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on S.B. 411, legislation adopting amendments to the National Association of Insurance Commissioners' (NAIC) Model Holding Company Act. PCI is a national property casualty trade association comprised of over 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. PCI member companies write approximately 42.7 percent of all property and casualty insurance sold in Connecticut.

PCI participated in extended negotiations with the NAIC on the drafting of the amendments, which are intended to provide regulators with more information about potential risks to insurers from non-insurance affiliates within a holding company. The revised model augments the power of regulators to supervise insurance holding company systems while also providing enhanced confidentiality protections for information the companies now must submit to regulators. This bill is an important step forward in avoiding the type of problems experienced by AIG as a result of the activities of non-insurance affiliates and it's a key to holding company solvency.

Key provisions of the amendments include:

- Requirement to report "enterprise risk" - an activity, circumstance, event or series of events involving one or more affiliates of an insurer that is likely to have a material adverse effect on the financial condition of the insurer or the insurance holding company system.
- Provision for participation in a supervisory college with other regulators for supervision of a domestic insurer that is part of an insurance holding company system with international operations.
- Additional required statements in a registration filing that the insurer's board of directors oversees corporate governance and internal controls and that senior management has approved, implemented and maintained such governance and controls.
- Expansion of an insurance regulator's scope of authority to include the power to (1) order an insurer to produce for examination documents or information to which the insurer can obtain

access pursuant to contractual relationships and (2) compel production, including by issuing subpoenas, administering oaths and examining persons under oath to determine compliance.

- Changes to confidentiality standards, including additional permissive sharing by an insurance regulator with other regulators of filed information concerning an insurer or holding company system, subject to limitations intended to ensure that information shared with other regulators or with the NAIC will remain confidential and privileged and will not be subject to disclosure or subpoena, or subject to discovery or admissible in evidence in any private civil action.

While PCI supports this bill, we have concerns relative to the effective date. Particularly regarding the enterprise reporting requirements, PCI would urge that the effective date be delayed until July 1, 2013 so that companies have sufficient time to comply with these requirements.

For the foregoing reasons, PCI urges your Committee to favorably advance S.B. 411.

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