The NAIC Group Capital Calculation, Liquidity Stress Test, and Receivership Provisions

- *In December 2020 and August 2021, the NAIC adopted amendments to the NAIC Holding Company Act and Model Regulation.*
- *The 2020 revisions implemented a group capital calculation and liquidity stress test framework to provide U.S. solvency regulators with additional tools for conducting group-wide supervision. Revisions were also made to Model #440's Section 8 regarding "Confidential Treatment." The 2021 revisions established receivership provisions to ensure the continuity of essential services and functions to an insurer in receivership by affiliated entities and further clarify ownership of data and records of the insurer.*
- *Industry was supportive of these amendments and worked extensively with regulators in their development.*

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, since the early 1970s, provided state insurance departments with a framework for insurance group supervision. In 2020, the NAIC adopted revisions to #440 and #450, establishing group capital calculation (GCC) filing requirements and liquidity stress test (LST) reporting. These revisions will likely become an accreditation requirement, effective January 1, 2026. The GCC provides U.S. solvency regulators with an additional analytical tool for conducting group-wide supervision and assists regulators in holistically understanding the financial condition of non-insurance entities. It provides key financial information on the insurance group; quantifies risk across the insurance group; supports transparency into how capital is allocated; and aids in understanding whether and to what degree insurance companies are supporting the operations of non-insurance entities. The GCC is intended to satisfy the group capital assessment requirements of the Covered Agreements made between the U.S. and the EU and UK. Without the GCC, any supervisor in the EU or UK could impose its own group capital calculation (e.g., Solvency II capital requirements) on a U.S. group operating in the EU or UK and all U.S. insurers within that group. The LST was developed to provide state insurance regulators with insights into a key macroprudential risk monitored by the Financial Stability Oversight Council (FSOC) and other jurisdictions internationally; it also enhances group supervision. The LST requires insurers to file the results of a specific year's liquidity stress test to the lead state insurance commissioner. States with groups impacted by the LST should adopt the relevant revisions as soon as possible.

The 2021 receivership provisions address the continuation of essential services through affiliated intercompany agreements in a receivership. They bring affiliate service providers deemed "integral" or "essential" to an insurer's operations under the jurisdiction of a rehabilitator, conservator, or liquidator for purposes of interpreting, enforcing, and overseeing the affiliate's obligations under the service agreement. In addition, they give the commissioner authority to require that "integral" or "essential" affiliate service providers consent to such jurisdiction.

Implementation

- ✓ As of this update, the 2020 revisions to #440 have been implemented in **35 jurisdictions**: AL, AZ, CA, CO, CT, DE, GA, HI, IL, IN, IA, KY, LA, ME, MD, MA, MI, MO, MT, NE, NV, NH, NJ, NY, OH, PA, RI, SD, TN, TX (GCC provisions only), UT, VT, VA, WA, and WI.
- ✓ The 2021 receivership revisions to #440 have been implemented in **19 jurisdictions**: AZ, CO, CT, DE, GA, HI, LA, MA, ME, NH, NC, OH, OK, PA, SD, TN, UT, VT, and VA.
- ✓ Revisions to #450 have been implemented in **21 jurisdictions**: AZ, CA, CO, DE, IL, LA, ME, MA, MI, MO, MT, NE, NV, NH, NJ, OH, PA, TX, VA, WA, and WI.

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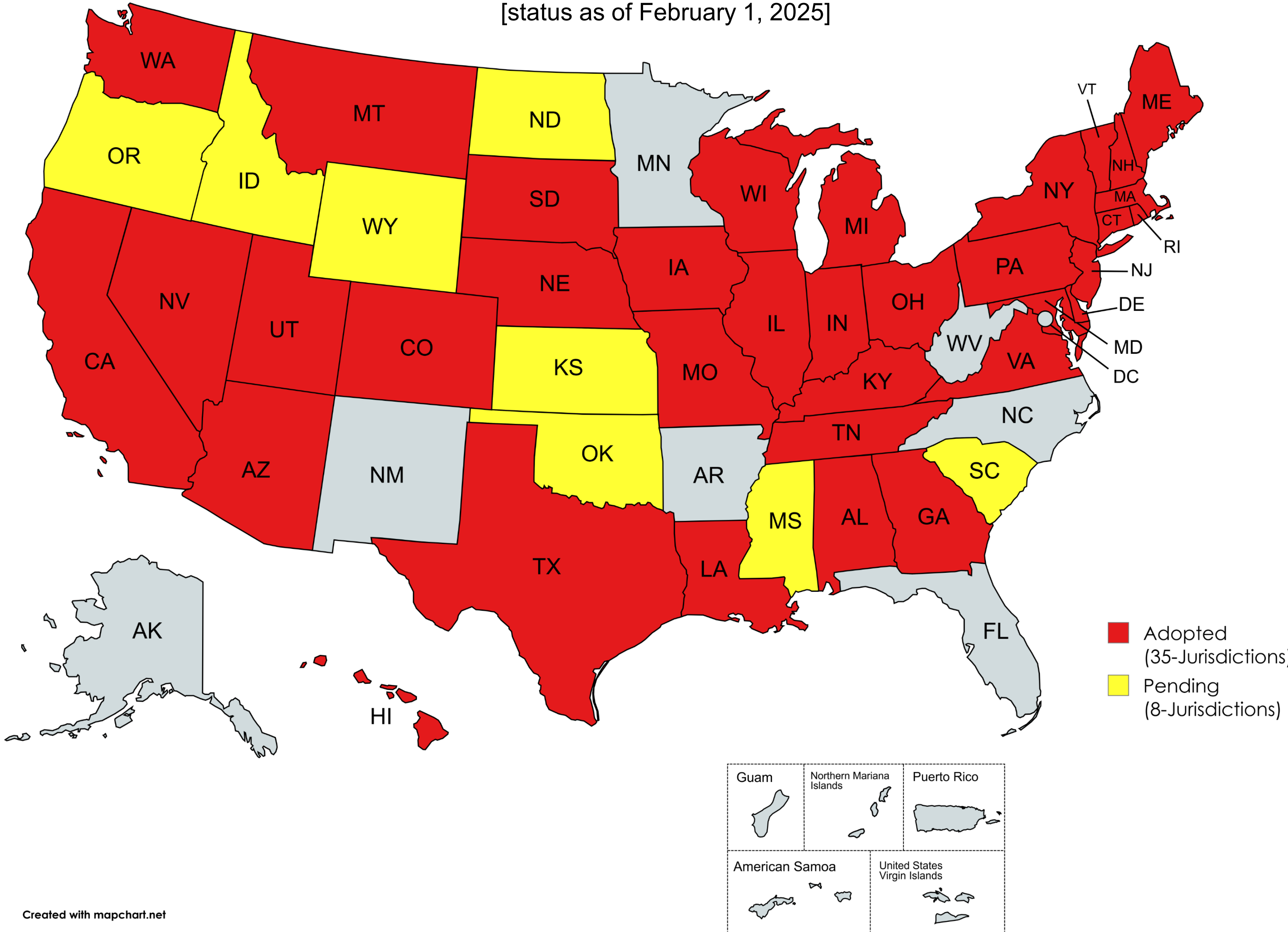
Implementation of 2020 Revisions to Model #440 (Group Capital Calculation and Liquidity Stress Test)

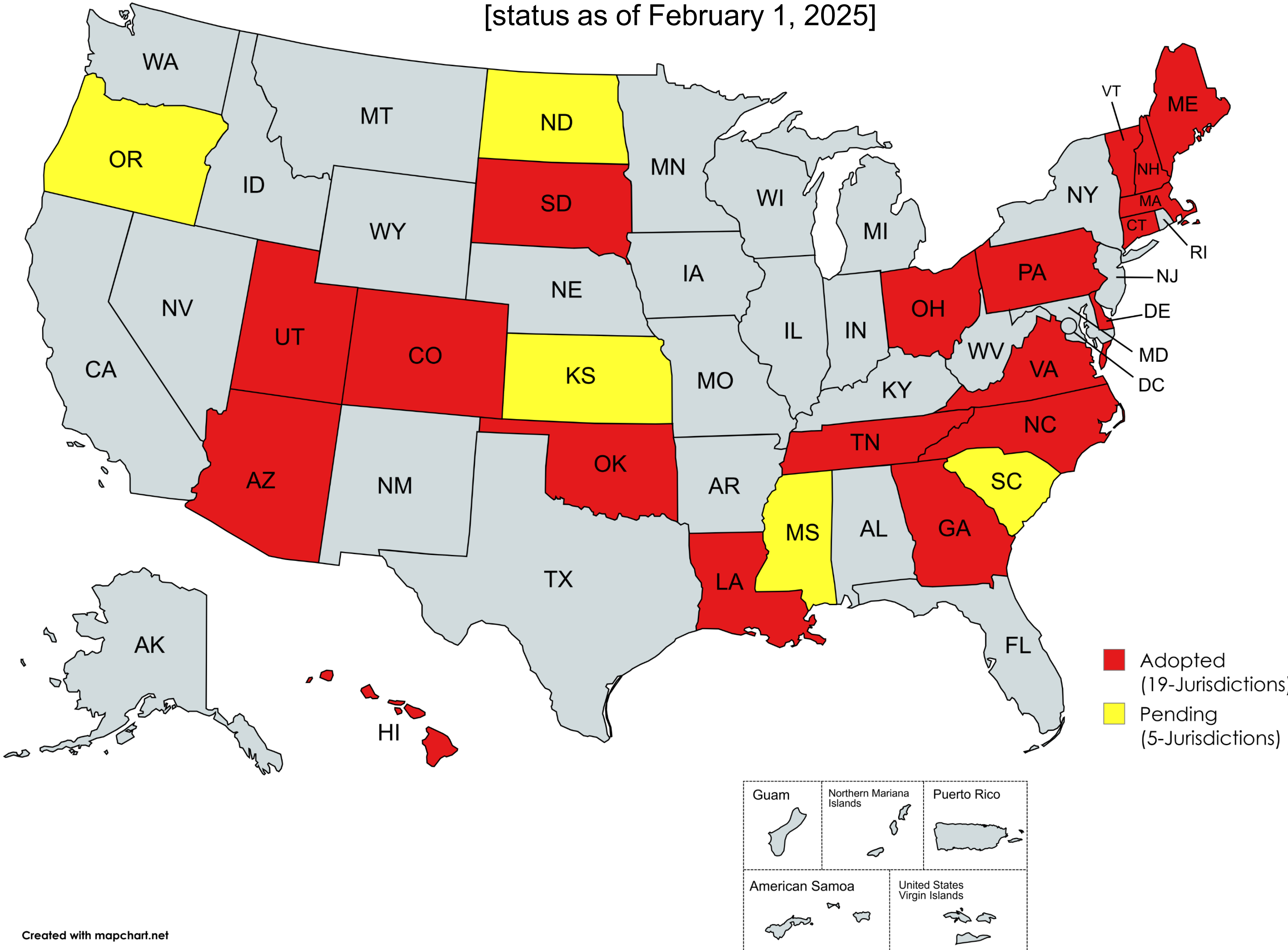
Insurance Holding Company System Regulatory Act

[status as of February 1, 2025]



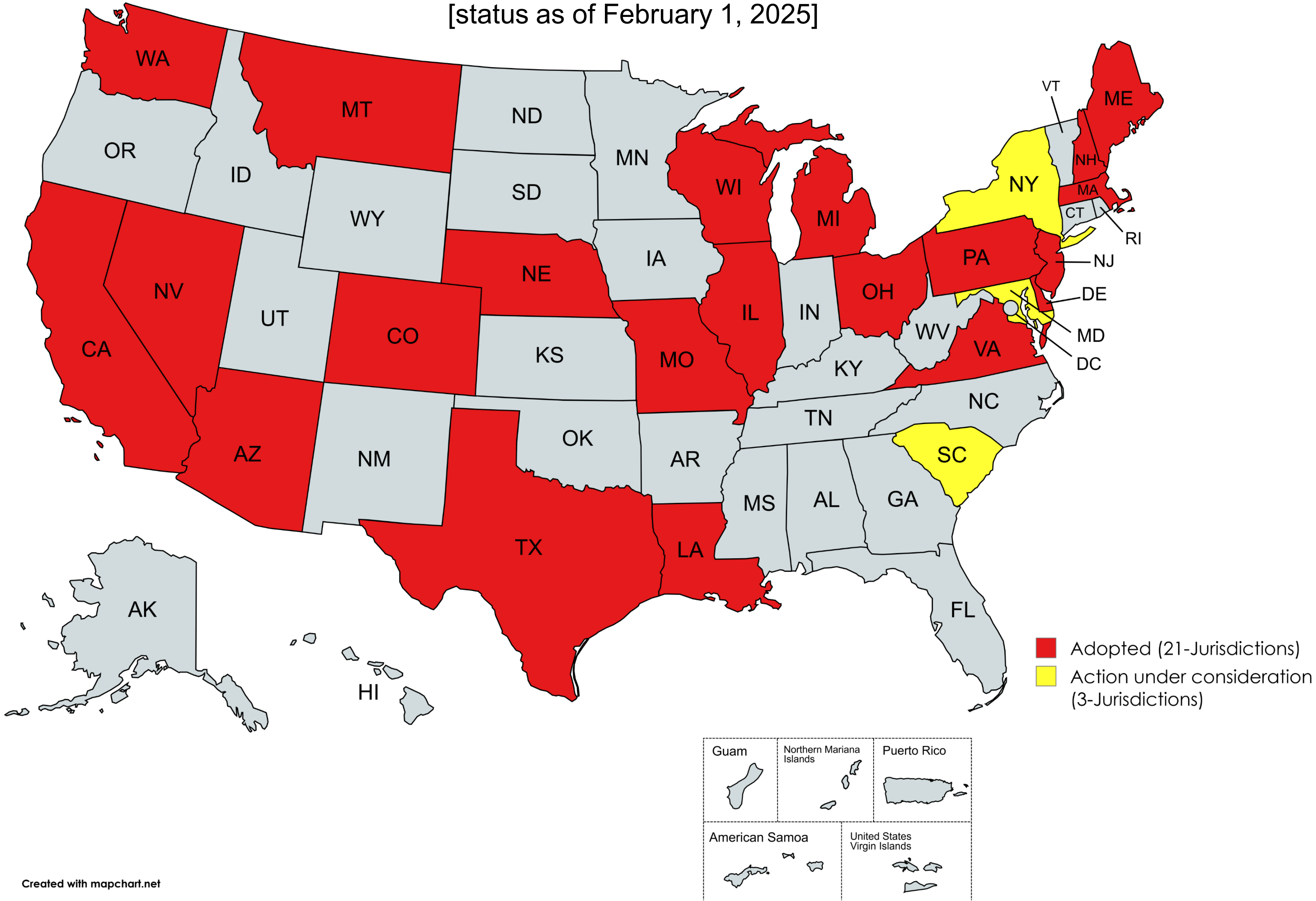
This map represents state action or pending state action addressing the topic of the model. This map does not reflect a determination as to whether the pending or enacted legislation contains all elements of the model or whether a state meets any applicable accreditation standards.

Implementation of 2021 Revisions to Model #440 (Receivership)
Insurance Holding Company System Regulatory Act
[status as of February 1, 2025]



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.

Implementation of 2020 Revisions to Model #450 (Group Capital Calculation)
Insurance Holding Company System Model Regulation
[status as of February 1, 2025]



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