

EU-US Insurance Project: Overview of 2015 Activities Involving the Topic of Group Supervision

Note: The EU-U.S. Insurance Project (Project) started in early 2012, when the European Commission, the European Insurance and Occupational Pensions Authority, the U.S. National Association of Insurance Commissioners and the Federal Insurance Office of the U.S. Department of the Treasury agreed to participate in a deeper dialogue to contribute to an increased mutual understanding and enhanced cooperation between the EU and the U.S. to promote business opportunity, consumer protection and effective supervision.

This brief overview document should be read in the fuller context of existing published documents of the Project, specifically, the December 2012 Report Comparing Certain Aspects of the Insurance Supervisory and Regulatory Regimes in the European Union and the United States, and the July 2014 update to "The Way Forward" document.¹

The EU-US Insurance Project's Technical Committee on Group Supervision (TC2) has made significant progress in 2015 on a number of fronts. A key focus was to further the exchange of technical information relating to the supervisory regimes in the EU and in the United States, and to further mutual understanding through discussion among experts on both the EU and U.S. sides of TC2.

With respect to group supervision by authorities in United States, both at the state and federal levels, TC2's 2015 activities included the following:

- The 2015 FSAP self-assessment of the United States was shared and discussed by TC2. Of particular relevance to TC2 was the self-assessment's description of authorities at the state and federal levels, including a description of situations in which the U.S. Federal Reserve serves as the group-wide supervisor for certain U.S.-based insurance groups.
- U.S. state insurance regulators provided details of the 2014 changes to the NAIC's Model Holding Company Act, and described how, when implemented by a state, they would determine the group-wide supervisor for other insurance groups (i.e., those not under the purview of the U.S. Federal Reserve). All but one state had adopted the 2014 changes.
- An in-person meeting with supervisors from three U.S. states and with Deputies of the EU-US Project Steering Committee with participants from EIOPA, the European Commission, the NAIC, and FIO, focused on the practical day-to-day supervisory authorities utilized by the states related to group supervision.

The exchange of information by TC2 in 2015 also focused on the tasks and responsibilities of group-wide supervisors:

- EIOPA representatives provided a detailed presentation on the manner in which supervisory colleges in the EU are conducted, including the involvement and role of EIOPA in EU-based colleges.
- The NAIC and participating state regulators presented on Holding Company Analysis Procedures, Supervisory Colleges Procedures, and the Insurer Profile Summary and Group Profile Summary in use by state insurance departments.
- A high degree of commonality exists between the two regimes as to tasks and responsibilities of group-wide supervisors.

With respect to the Own Risk and Solvency Assessment (ORS), TC2's activities for 2015 included the following:

- The NAIC and participating state regulators of TC2 presented details on the state-based ORSA requirements, including a discussion of the ORSA pilot projects and the key focus of state regulators in reviewing the ORSA. This exchange led to a written comparison of the key features and supervisory processes of the ORSA in the two regimes.
- Both sides face some common challenges in optimizing the usefulness of ORSA in transatlantic supervisory colleges, and expect that 2016 will bring additional experience and more fruitful results. Commonalities exist among the two regimes as to the principle objectives of the regulatory review of the ORSA, i.e., to understand the group's business strategy, its risk management and capital management.

¹ The published documents are available at:

<http://www.treasury.gov/initiatives/fio/EU-US%20Insurance%20Project/Pages/default.aspx>.

Information exchanges occurred regarding supervisory expectations and review processes for corporate governance, including discussions regarding governance elements considered indispensable by supervisors. Although the specifics as to content and processes varied between the two regimes, the overall objectives of the review were found to be similar.

Additional exchanges during 2015 related to information from the NAIC/states as to data collection and financial analysis tools, processes, insurer profile summary and group profile summary, and from the EU-side regarding data collection on groups.