

PROJECT HISTORY - 2001

INVESTMENTS OF INSURERS MODEL ACT (#283) (Defined Standards Version)

Proposed amendments to the Investments of Insurers Model Act (Defined Standards Version) are before the Executive Committee at the 2001 Fall National Meeting to be considered for adoption. The amendments were adopted at the 2001 Summer National Meeting by the Financial Condition (E) Committee and were drafted by a subgroup of the Insurance Holding Company (E) Working Group.¹ The subgroup that drafted the amendments was chaired by Sara Waitt (TX). Other states that participated on the subgroup were Arkansas, California, Georgia, Illinois, New York, North Carolina and South Carolina. There was also substantial participation by insurance industry representatives in the drafting process. Representatives of the American Council of Life Insurance (ACLI), the American Insurance Association (AIA), individual insurance companies and law firms with insurance regulatory practices were regular participants in the subgroup meetings.

The specific charge to the working group arose out of the NAIC's initiative to address issues related to the implementation of the Gramm-Leach-Bliley Act (GLBA) in November 1999. The working group was appointed in February 2000, and is co-chaired by Commissioners Gross (VA) and Montemayor (TX). The charge to the working group was to "consider the implications of the Gramm-Leach-Bliley Act on the state-based solvency monitoring structure, including holding companies, financial examinations, financial analysis and coordination among state insurance departments." The amendments are intended to bring the model act into conformity with specific provisions of GLBA. Following is a section-by-section explanation of the proposed amendments:

8B This section provides for a similar general limitation on investments in any one entity. Section 306 of GLBA provides that the state of domicile of the insurer may limit the investment in the voting securities of a depository institution or its affiliates to 5% of admitted assets. This section should be amended to incorporate the requirement imposed by GLBA.

The first draft of proposed amendments was exposed on November 15, 1000. Two additional drafts were issued. There were no contentious issues with respect to the proposed amendments.

¹ The Insurance Holding Company (E) Working Group was formerly the Financial Services Holding Company Analysis/Examination/Review (E) Working Group.