



Gabrielle Griffith
Senior Policy Analyst and NAIC Coordinator
202-624-2371 t
gabriellegriffith@acli.com

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Mr. Damion Hughes, Chair
Director of Market Regulation
Department of Regulatory Agencies
Division of Insurance
1560 Broadway, Suite 850
Denver, Colorado, 80202

Sent via email to Petra Wallace, Senior Market Regulation Specialist

**Re: NAIC Market Conduct Examinations Guidelines (D) Working Group Chapter 20
Proposed Changes**

Dear Mr. Hughes:

The American Council of Life Insurers (ACLI) appreciates the opportunity to submit the comments below, concerning the exposed draft revisions to Chapter 20 of the General Examination Standards in regard to the *Insurance Holding Company System Regulatory Model Act* (Model #440).

We are concerned with the inclusion of needing to review for compliance under Model #440, during a Market Conduct Examination (MCE), the Group Capital Calculation (GCC) and liquidity stress test (LST) under the Operations/Management Standards on pages 7 and 8 to:

- Determine if the NAIC Liquidity Stress Test Framework needs to be utilized for a specified data year.
- Determine if there is a holding company system in place. And if so, whether there should be a group capital calculation request from the U.S. Federal Reserve or whether a lead state commissioner should require a group capital calculation for US operations of any non-U.S. based insurance holding company system.
- Determine if the confidentiality of any group capital contribution or group capital ratio is maintained and if the confidentiality of the liquid stress test results and supporting

American Council of Life Insurers | 101 Constitution Ave, NW, Suite 700 | Washington, DC 20001-2133

The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

disclosure are maintained which includes any Federal Reserve Board filings and information.

The included language relates to 1) information that is to be filed with the commissioner in the context of an acquisition or merger; and 2) information that may be requested by the insurer of a domestic legal entity. Under GCC and LST, the lead state or domestic regulator maintains the authority to provide exemptions from the GCC and liquidity stress tests and are given the responsibility of compliance for these provisions and the annual review of these filings. The Market Conduct Examination (MCE) should be focused on applicable state marketplace laws of the state conducting the MCE and whether there is compliance in those marketplace laws. The MCE should not analyze financial solvency and its evaluation tools when the authority and responsibility has been given to the lead state or domestic regulator. Since neither involves an audit of the GCC or liquidity stress testing and there are no audit requirements for such, we feel that that this does not need to be addressed in this program. We respectfully request that the revisions to Chapter 20 under the Operations/Management Standards on pages 7 and 8 be removed.

We also recommend that direct reference to the GCC and LST be removed from the Marketing and Sales Standards on page 48 or, in the very least these could be made generic to apply to all prohibited marketing activity for any of the NAIC Model References listed on page 46.

Thank you again for the opportunity to submit comments.

Sincerely,



Gabrielle Griffith
Senior Policy Analyst
202-624-2371
gabriellegriffith@acli.com