

**NATIONAL CONFERENCE OF INSURANCE LEGISLATORS**  
Resolution Regarding the States' Response to International Proposals  
for Insurer Solvency Regulation and a Global Insurance Capital Standard (ICS)

---

*Adopted by the NCOIL Executive Committee on July 13, 2014, and by the International Issues Task Force on July 10, 2014, and amended on July 11, 2014. Sponsored by Sen. James Seward (NY), chair of the Task Force's Capital Standards Working Group*

**Whereas**, the Financial Stability Board (FSB) has directed the International Association of Insurance Supervisors (IAIS) to establish a quantitative insurance capital standard (ICS) for Internationally Active Insurance Groups (IAIGs), including a number of U.S. companies, and

**Whereas**, the FSB also issued a "peer review" critical of the U.S. insurance regulatory system (specifically focusing on group-wide supervision) despite the fact that our system aligns with the insurance business model and has well served markets and consumers for over a century, and proved resilient during the global financial crisis, and

**Whereas**, the IAIS has agreed to follow the FSB instructions to develop the ICS according to an unrealistic timeframe, and

**Whereas**, the IAIS and the FSB are private associations of financial service regulators without legal authority beyond their individual, respective jurisdictions, and

**Whereas**, those private associations lack independent accountability to elected legislatures, and

**Whereas**, the original FSB mandate and development of international insurance regulatory standards are being conducted in a manner that does not provide the level of opportunity for open public comment and deliberation that are due process hallmarks of law and rulemaking in the United States, and

**Whereas**, some global standards for solvency regulation and accounting may conflict with existing regulation and standards within the United States and the individual states, and

**Whereas**, the National Association of Insurance Commissioners (NAIC) Model Holding Company Act allows state insurance regulators to participate in and even lead global supervisory colleges without surrendering the domestic regulator's authority, and

**Whereas**, a group capital requirement may erode policyholder protection, and

**Whereas**, the U.S. state insurance legislatures and regulators responsible for establishing, implementing and overseeing standards for solvency regulation and policyholder protection may find that the IAIS ICS requirements, once identified, are misplaced, unnecessary and duplicative, and

**Whereas**, as systemic risk to the financial system and solvency risk to insurers arises from causes other than insufficient capital, the ICS focus on capital requirements is only a partial approach to preventing financial crises and prudential regulation of insurers, and

**Whereas**, a one-size-fits-all global ICS would fail to adequately recognize jurisdictional differences such as different accounting standards throughout the world, specifically in the United States the effective and state-required use of Statutory Accounting Principles, or significant and complex differences in risk and capital needs from one insurance group to another, and

**Whereas**, unlike the other approaches to solvency regulation, the United States system of solvency regulation and insurance regulatory principles are focused on policyholder protection, including guaranty funds, not on investors, creditors or other stakeholders.

**THEREFORE, BE IT RESOLVED** the National Conference of Insurance Legislators calls upon the NAIC, the U.S. representatives to the Financial Stability Board (FSB), and the Federal Insurance Office (FIO) to oppose the creation of any additional set of international solvency standards, including a global ICS, that fails to adequately and appropriately accommodate the proven US approach to insurer solvency regulation;

**AND, BE IT RESOLVED** the National Conference of Insurance Legislators opposes mandating the Fair Value measurements and market consistent valuation methodologies favored by the IAIS and encourages the NAIC, the FSB, and the FIO to likewise oppose;

**AND, BE IT ALSO RESOLVED** the National Conference of Insurance Legislators coordinate with U.S. state insurance regulators and federal agencies to formulate a unified U.S. position that is consistent with the policies and laws of the states on global insurance capital standards for the benefit of policyholder protection and to further the competitiveness of the U.S. insurance industry;

**AND, BE IT ALSO RESOLVED** the National Conference of Insurance Legislators encourages all state legislatures to support our state-based system of insurance regulation by enacting resolutions similar to this one;

**AND, BE IT ALSO RESOLVED** the National Conference of Insurance Legislators urges the states' governors and Congressional delegations to write letters and to otherwise communicate these concerns to US representatives on the FSB, including the Secretary of the Treasury, the chair of the Board of Directors of the Federal Reserve and the chair of the Securities and Exchange Commission;

**AND, BE IT FURTHER RESOLVED** that a copy of this Resolution be sent to each state legislature, each state insurance regulator, the NAIC, the FIO, the FSB, the IAIS, the US Department of the Treasury, the Board of Governors of the Federal Reserve System, the SEC, and to members of Congress to encourage coordination among these parties in the formulation and articulation of U.S. policy on global insurance capital standards.