

## REQUEST FOR MODEL LAW DEVELOPMENT

This form is intended to gather information to support the development of a new model law or amendment to an existing model law. Prior to development of a new or amended model law, approval of the respective Parent Committee and the NAIC's Executive Committee is required. The NAIC's Executive Committee will consider whether the request fits the criteria for model law development. Please complete all questions and provide as much detail as necessary to help in this determination.

Please check whether this is:  New Model Law or  Amendment to Existing Model

**1. Name of group to be responsible for drafting the model:**

Corporate Governance (E) Working Group

**2. NAIC staff support contact information:**

Bruce Jenson - bjenson@naic.org

**3. Please provide a description and proposed title of the new model law. If an existing law, please provide the title, attach a current version to this form and reference the section(s) proposed to be amended.**

The Corporate Governance (E) Working Group has proposed the development of a new model law to facilitate the annual collection of confidential information on insurers' corporate governance practices. After several years of studying issues related to the corporate governance of insurers including a review of existing requirements and international standards, the Working Group has identified a need to collect and review corporate governance information of insurers in the period between onsite examinations.

As part of this analysis, the Working Group thoroughly discussed the format and substance of corporate governance disclosures as well as the appropriate authority under which to collect the information. The Working Group considered amendments to various existing model laws including the Model Law on Examinations, the Risk-Based Capital for Insurers Model Act, the Holding Company System Regulatory Act, and the Own Risk and Solvency Assessment (ORSA) Model Act. The Working Group also discussed collecting the information as part of the Annual Statement filing. Ultimately, neither the Working Group nor the Interested Parties were able to conclude that an existing model law or filing requirement could readily be extended to authorize the collection of corporate governance information and adequately protect that information.

The development of an "Annual Reporting of Corporate Governance Practices of Insurers Model Act" would provide a means for regulators to get a better understanding of the governance practices of their domestic insurers. The development of this model law would also ensure the

confidentiality of governance information collected from insurers and assist U.S. regulators in achieving greater consistency with international standards. As part of the model law development process, the Working Group would identify overlapping or redundant requests for corporate governance information that can be removed from other areas of the regulatory process.

4. Does the model law meet the Model Law Criteria?  Yes or  No (Check one)

(If answering no to any of these questions, please reevaluate charge and proceed accordingly to address issues).

- a. Does the subject of the model law necessitate a national standard and require uniformity amongst all states?  Yes or  No (Check one)

If yes, please explain why

The model is proposed to address the broad regulatory need to have a better understanding of insurers' governance practices in the period between onsite examinations. This need is consistent across all states. In addition, the development of this model law would serve to bring about increased consistency and compliance with international standards, which is best achieved through a national standard.

- b. Does Committee believe NAIC members should devote significant regulator and Association resources to educate, communicate and support this model law?

Yes or  No (Check one)

5. What is the likelihood that your Committee will be able to draft and adopt the model law within one year from the date of Executive Committee approval?

1  2  3  4  5 (Check one)

High Likelihood

Low Likelihood

Explanation, if necessary: The model is intended for a narrow purpose and the Working Group has already conducted extensive research and discussion on this topic.

6. What is the likelihood that a minimum two-thirds majority of NAIC members would ultimately vote to adopt the proposed model law?

1  2  3  4  5 (Check one)

High Likelihood

Low Likelihood

**Explanation, if necessary: The Working Group is unanimous in its support for the development of a model law to facilitate the collection of this information. As the Working Group is made up of 17 jurisdictions, we are confident that the model will receive the necessary two-thirds majority for NAIC adoption.**

7. **What is the likelihood that state legislature will adopt the model law in a uniform manner within three years of adoption by the NAIC?**

1       2       3       4       5      (Check one)

**High Likelihood**

**Low Likelihood**

**Explanation, if necessary: The model is intended to be developed as an accreditation standard to encourage consistent and uniform adoption across the states. In addition, the narrow focus on governance reporting and the need for confidentiality in this area should simplify its presentation to legislatures. However, the Working Group will need to develop greater industry support for the model to ensure its uniform adoption across state legislatures.**

8. **Is this model law referenced in the Accreditation Standards? If so, does the standard require the model law to be adopted in a substantially similar manner?**

This new model and its key provisions will be most valuable if adopted as essential elements for accreditation. The Working Group has emphasized the importance of consistency and effective regulation throughout its discussions. While recognizing that one size does not fit all in company analysis, the Working Group has concluded that a set of standard disclosures will give regulators critical insight into matters of solvency.

9. **Is this model law in response to or impacted by federal laws or regulations? If yes, please explain.**

No.