

CLIENT UPDATE

NAIC 2014 SPRING NATIONAL MEETING

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The National Association of Insurance Commissioners (NAIC) held its 2014 Spring National Meeting from March 29 to April 1, 2014 in Orlando, Florida. This Client Update highlights some of the developments from the Spring National Meeting that are of particular interest to many of our insurance industry clients, including developments relating to:

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For purposes of this report:

- “ACLI” means the American Council of Life Insurers.
- “EU” means the European Union.
- “FIO” means the Federal Insurance Office of the U.S. Department of the Treasury.
- “FSB” means the Financial Stability Board.
- “FSOC” means the Financial Stability Oversight Committee.
- “G-SII” means a global systemically important insurer.
- “IAIG” means an internationally active insurance group.
- “IAIS” means the International Association of Insurance Supervisors.
- “SIFI” means a systemically important financial institution.
- “SVO” means the NAIC Securities Valuation Office.

(1) REINSURANCE MATTERS

Implementation of the 2011 Amendments to the Credit for Reinsurance Model Law and Regulation

The Reinsurance (E) Task Force received a status report on state implementation of the 2011 amendments to the Credit for Reinsurance Model Law and Regulation which included the addition of reduced collateral for unauthorized reinsurers that are “certified reinsurers” that, in the case of non-U.S. reinsurers, are domiciled and licensed to transact insurance or reinsurance in a “qualified jurisdiction.” Nineteen states have enacted the revised Model Law and Regulation, with the insurers domiciled in these 19 states writing over 50% of the primary insurance premiums in the U.S. Nine additional states are expected to enact the revised Model Law and Regulation in the next two years. Over 30 reinsurers have been certified in various states. The FIO Report recommends that the FIO pursue a “covered agreement” (as defined in the Dodd-Frank Act) with foreign regulators based on the Model Act and Regulation which could have a meaningful impact on its further development and implementation.

NAIC Qualified Jurisdictions List

The Task Force adopted the report of the Qualified Jurisdiction (E) Working Group, which stated that full reviews of the four Conditional Qualified Jurisdictions (Bermuda, Germany, Switzerland and the U.K.) would be completed by the end of 2014. The report

also discussed the possibility of a lead U.S. state to oversee the foreign Qualified Jurisdictions.

U.S. Certified Reinsurers – NAIC Peer Review

The Task Force adopted the report of the Reinsurance Financial Analysis (E) Working Group, which discussed the ongoing review of certified reinsurers in Florida and New York for purposes of qualifying for collateral reduction. Of those certified reinsurers, the Working Group approved 24 for “passporting” their certification into other jurisdictions. “Passporting” is intended to speed the process by which reinsurers certified in one state are certified in another state by encouraging the latter state’s insurance regulator to rely on the certification completed by the former state’s insurance regulator. Two reinsurers remain under review, while seven were not approved. In connection with the “passporting” process, the Task Force agreed to expose the Uniform Application Checklist for Certified Reinsurers, a document intended to be used by importing state insurance regulators to review the application of reinsurers certified in other jurisdictions, to a 30-day public comment period. In evaluating the certification process for each unauthorized reinsurer by the individual state insurance regulators, the Working Group continues to study issues surrounding discrepancies associated with slow pay for collection on judgments and a potential de minimis threshold standard below which they will not request reconciliation of discrepancies associated with this issue.

NAIC Accreditation Standards

The Task Force discussed the potential development of standards under Part B, Administrative Practices and Procedures, of the Financial Regulation Standards and Accreditation Program with respect to a state’s processes to certify reinsurers and approve qualified jurisdictions, and directed NAIC staff to develop initial recommendations for the Task Force’s consideration.

Collateral Amount Review

The Task Force discussed re-examination of the collateral amounts within the revised Model Law and Regulation, and directed NAIC staff to draft a survey of current thoughts on collateral amounts, ideally by the end of April 2014.

(2) CORPORATE GOVERNANCE

Annual Financial Reporting Model Regulation

After a brief highlight of changes made to a prior draft, the Corporate Governance (E) Working Group adopted revisions to the Annual Financial Reporting Model Regulation. The proposed revisions relate primarily to the addition of an independent internal audit function to the Model Regulation. Upon adoption, the proposed language was submitted to the Financial Condition (E) Committee, where it was also adopted.

Corporate Governance Annual Filing Model Act and Guidance Manual

The Working Group also discussed comments received on the proposed Corporate Governance Annual Filing Model Act. Though commenters generally demonstrated support for the Model Act, there was significant discussion focused on issues related to perceived redundancies that would arise as a result of proposed annual filing requirements and the burdens that such requirements would have on the insurance industry. The Working Group recognized that the issue merited further discussion and comment, and acted to extend the comment period to April 21, 2014.

(3) FINANCIAL STABILITY (EX) TASK FORCE

The Financial Stability (EX) Task Force heard updates on the FSB's non-bank, non-insurer designation process and, in particular, reviewed the FSB's assessment methodologies for non-bank non-insurer entities.

The Task Force also heard comments on proposed global group capital standards from Betsy Ward of the North American CRO Council. She emphasized that the proposed framework should be judged by to what extent they protect consumers, to what extent they promote the staying power of companies and to what extent they minimize transition costs for companies.

The Task Force also heard remarks on international recovery and resolution and an update on the FSOC process.

(4) PRINCIPLES-BASED RESERVING

State of PBR Adoption

The Principle-Based Reserving Implementation (EX) Task Force reported that nine states have adopted principles-based reserving (PBR), representing 9.2% of U.S. premiums. With

the inclusion of Texas, which has amended its non-forfeiture law, and four states whose PBR legislation is awaiting their respective Governors' signatures, the percentage increases to 13.8% of U.S. premiums. Nine states have pending PBR legislation, the inclusion of which would increase the percentage of U.S. premiums supported by PBR to 42.3%. In addition, seven states are expected to introduce PBR legislation in 2015, which would bring the total to 60.3% of U.S. premiums. In order for the NAIC to formally adopt PBR, the Valuation Manual must be adopted by at least 42 states representing 75% of total U.S. direct written premiums.

Statistical Agent Framework

The Task Force discussed the proposed framework for a PBR Statistical Agent Process in which the states and the NAIC might arrange a process for establishing a statistical data collection process for support of PBR. The framework included nine recommendations with six decision points for the Task Force to discuss during the meeting. While the Task Force did not engage in significant discussion of any of the recommendations or the decision points, state insurance regulators and interested parties generally expressed their support for the proposal including comments by Kansas Commissioner Sandy Praeger and several interested parties. The Task Force exposed the proposal for written comment until May 15, 2014.

(5) REINSURANCE CAPTIVES

PBR and Reinsurance Captives

The Principle-Based Reserving Implementation (EX) Task Force discussed the February 17, 2014 Report of Rector and Associates, Inc. to the Task Force regarding financing of business subject to Regulation XXX and AXXX and the 19 comment letters submitted relating to the Report.

The primary topics of discussion and debate revolved around several key issues raised by the Report including: (1) the proposed adoption of VM-20 as the Actuarial Method for calculating the Primary Asset requirement described in the Report; (2) the proposed timeline for adoption; (3) the presumption of hazardous financial condition for companies entering into ceded reinsurance transactions not in compliance with the regulation proposed by the Report; (4) whether the implementation of PBR would ultimately have an effect on the usage of captives and (5) miscellaneous comments relating to the proposal.

VM-20

A hotly debated issue was whether VM-20, or a modified version thereof, should be adopted by the Task Force as the Actuarial Method for calculating the Primary Asset requirement described in the Report. A key concern raised by several Task Force members (including members from California, New York and Delaware) and interested parties (including the ACLI), was that VM-20 was an outdated methodology that relied on antiquated mortality tables. Other concerns relating to VM-20 include questions as to its incorporation of Net Premium Reserve, whether it would be appropriate to adopt an approach similar to VM-22 that is based on an aggregate statutory margin and the amount of discretion that it allows insurers in calculating reserve amounts. Rhode Island Superintendent Joseph Torti agreed that the current version of VM-20 is “not there” and that the outstanding Actuarial Method issues needed to be resolved.

Timeline

Many of the Task Force members and interested parties expressed reservations about the aggressiveness of the Report’s implementation timeline, with implementation of requirements pertaining to the Actuarial Method, Primary Asset Level, Primary Assets and Other Assets to be implemented as soon as July 1, 2014 for financing transactions that are newly created on or after that date. Superintendent Torti was generally unreceptive to comments that called for a less aggressive implementation schedule and emphasized that there was a pressing need for action as any form of regulation would be better than nothing.

Hazardous Financial Condition

Many Task Force members and interested parties expressed concerns that § 7 of the proposed Model Regulation, attached as Exhibit D to the Report, would create a presumption of “hazardous financial condition” for any company entering into a reinsurance ceding arrangement that did not comply with the regulation. Task Force members from Vermont and Iowa were particularly vocal about the presumption, noting that such a presumption was overly broad and that it might have unintended consequences. The ACLI comment letter called for a materiality threshold, which was echoed by several of the Task Force members. On the other hand, a New York member opposed any proposal to “water down” the presumption. Superintendent Torti was generally receptive to the concerns about the “hazardous financial condition” presumption and agreed that the issue needed to be addressed going forward.

PBR Effect

A key concern of the Task Force members was whether PBR, if fully implemented as proposed, would have the effect of eliminating the use of captives. Task Force members were particularly keen on receiving life insurance industry input as to how “how close” PBR would need to approach target standards so that industry would no longer use captive reserve financing. An ACLI commenter stated that, because of the ancillary costs of captive reserve financing, PBR reserve levels that approach 15% of economic reserve levels would be sufficient, but that VM-20, in addition to the other concerns that industry commenters raised, as it is currently formulated would not fall within that 15% band.

Miscellaneous

Task Force members also discussed a variety of miscellaneous points. A Vermont member raised an issue over the complexity of the definition of Primary Assets and proposed that the definition be restricted to just admitted assets. An Iowa member questioned the broad scope of § 12 of the proposed Model Regulation defining “Transactions Affected” to include all reinsurance arrangements “amended on or after January 1, 2015” regardless of the nature of the amendment.

The session ended before all comments of interested parties could be heard. The Task Force stated that discussions would be continued at a conference call on April 14, 2014. In addition, there is to be an interim meeting of state insurance regulators which would include the Task Force, the Financial Regulation Standards and Accreditation (F) Committee, as well as the chairs of the technical groups that would receive a charge to implement the proposal. The interim meeting would be called to address the outstanding issues so that implementation would be able to proceed on the proposed time frame.

Reinsurance Captives and NAIC Accreditation Standards

The Financial Regulation Standards and Accreditation (F) Committee discussed proposed changes to the preamble to the NAIC accreditation standards that were released by the NAIC shortly before the Spring National Meeting. Given the short amount of time for members and interested parties to review the proposed changes, the Committee voted to expose the changes for a 45-day comment period.

At the Fall National Meeting, Rhode Island Superintendent Joseph Torti presented a question to Missouri Director John Huff, the Committee Chair, as to whether captive insurers that reinsure business written in other states, i.e., captive insurers that reinsure XXX/AXXX risk, should be subject to the NAIC accreditation program. Superintendent Torti asked the Committee to consider whether the NAIC accreditation standards should

be evolving and suggested perhaps it was the intention of the Committee that the accreditation standards should have applied to captive insurers. Director Huff requested that the NAIC staff propose language for the Committee's review that would clarify the intention of the language, and this was the preamble language proposed shortly before the meeting.

The proposed changes would require that states apply the accreditation standards applicable to traditional insurers to "multi-state reinsurers," defined as "an insurer assuming business that is directly written in more than one state and/or in any state other than its state of domicile." The definition of "multi-state reinsurer" covers captive insurers, special purpose vehicles and other entities assuming business even if only licensed in one state, as the definition is based on where underlying policies are written. The definition includes captives assuming XXX/AXXX risk, but is not limited to such captives. Some of the standards that captives are generally not subject to, but would need to be applied to multi-state reinsurers under the proposal are (1) the Risk-Based Capital (RBC) for Insurer Model Act; (2) valuation of investments in accordance with standards promulgated by the NAIC's Securities Valuation Office and the Financial Condition (E) Committee; (3) the Insurance Holding Company System Regulatory Act and the related regulation (including the new Enterprise Risk Management report); (4) investment law; (5) Standard Valuation Law and Actuarial Opinion and Memorandum; (6) Credit for Reinsurance Model Law and Regulation and Life and Health Reinsurance Agreement Model Regulation (risk transfer rules); and (7) filing of annual and quarterly statutory financial statements with the NAIC.

If a state were to not subject these reinsurers to the same accreditation standards as traditional insurers, the state could potentially lose its NAIC accreditation, and not be recognized as an adequate state insurance regulator by the other states. The application of accreditation standards to newly defined "multi-state reinsurers" would only apply prospectively though, to reinsurance agreements entered into after July 1, 2014 on direct business written on or after July 1, 2015. In addition, NAIC staff indicated at the meeting that captives in compliance with the XXX and AXX Reinsurance Model Regulation proposed in the Report of Rector and Associates, Inc. to the Principle-Based Reserving Implementation (EX) Task Force described above would be exempt from the accreditation standards.

Although new or amended accreditation standards are subject to a multiple year phase-in period to allow for states to adopt related legislation, the changes proposed to the preamble to the accreditation standards could be implemented without such a phase-in period. Committee members raised concerns about making changes too hastily, but such

concerns were rebutted by other members who felt that, although acting hastily without considering the consequences would not be in anyone's interest, action needed to be taken more quickly than it might otherwise be.

The ACLI commented that they were concerned that if the changes were adopted as written, there would be a moratorium on new captive financing transactions, as captives do not currently comply with all the accreditation standards that traditional insurers must adhere to, with reason. The ACLI thought that perhaps it made sense to create a set of accreditation standards similar to those applied to risk retention groups, where not all standards that are applied to traditional insurers would be applied to multi-state reinsurers.

The Committee voted to expose the changes for a 45-day comment period.

(6) PRIVATE EQUITY OWNERSHIP OF INSURERS

Private Equity Issues (E) Working Group

The Private Equity Issues (E) Working Group directed NAIC staff to develop a new section to be added to the NAIC Financial Analysis Handbook with regard to review of Form A applications made in connection with the acquisition of insurers by private equity firms and to begin collecting copies of state insurance regulatory public orders containing differing stipulations for approval of such Form A applications. The Working Group also directed NAIC staff to develop an analysis of private equity-owned insurers' investments compared to the insurance industry as a whole. Several Working Group members emphasized that any changes should apply equally to all Form A applicants and that any particular attention to private equity investors should only be a function of additional risks that their ownership poses in a particular instance.

The Working Group also discussed the draft state insurance regulator best practices relating to private equity ownership of insurers described in the May 1, 2013 memo from the Financial Analysis (E) Working Group to the Financial Condition (E) Committee. Notwithstanding the best practices outlined in the memo, Working Group members generally agreed that an applicant should not need to show that policyholders are "fundamentally more secure," but rather that policyholders and the insurer would be at least as secure as they were prior to the proposed acquisition.

Financial Stability (EX) Task Force

The Financial Stability (EX) Task Force heard remarks on the ownership of insurers by private equity firms and hedge funds from Iowa Deputy Commissioner Jim Armstrong. He stated that private equity ownership of insurers chiefly caused concerns with respect to the management and investment of insurer assets, the payment of fees in services and reinsurance agreements, the payment of dividends, the use of separate accounts and the type of policies being issued. However, he stated that state insurance regulators should be cognizant of the fact that private equity firms provide valuable capital, particularly to annuity writers. He also stated that only representatives of Athene Holding Ltd. had come before the NAIC to discuss these issues and that it would be welcome and helpful for more private equity investors in insurers to offer their thoughts.

(7) RISK-BASED CAPITAL DEVELOPMENTS

Health Risk-Based Capital

The Capital Adequacy (E) Task Force adopted a report of the Health Risk-Based Capital (E) Working Group, which was a referral from the Working Group relating to Experience Fluctuations Risk and the 3Rs as they relate to the Affordable Care Act (“ACA”): Reinsurance Recoverables, Risk Adjustment and Risk Corridor Sensitivity. The ACA Reinsurance Recoverables proposal would break out reinsurance recoverables by paid and unpaid claims for non-affiliates and the ACA, allowing state insurance regulators to identify the reinsurance recoverables the insurer has recorded due from the ACA reinsurance program. The Risk Adjustment and Risk Corridor Sensitivity Test proposals would allow state insurance regulators to identify the impact of the mis-estimation of risk adjustment and risk corridor receivables and payables from the ACA on Total Adjusted Capital.

The Task Force adopted the Health XR012-A Underwriting Risk Proposal, which would break out premiums, claims and loss ratio, providing state insurance regulators with a more granular view of a health insurer’s overall writings and also allowing regulators to analyze the potential impact that the ACA has had on health entities’ underwriting results. The Task Force also adopted an ACA Fee Sensitivity Test Proposal that would add a sensitivity test to page XR024. The sensitivity test would have no effect on the risk-based capital amounts reported in the annual statement.

Life Risk-Based Capital

The Task Force re-exposed the C-3 Phase 1 proposal and voted to expose to comment the ACLI C-3 Phase II proposal titled “Guidance for Contracts in Which the Insurer Does Not Own Investments Which Form the Basis for the Guarantee” for a 45-day period. The Task Force also committed to an e-mail dialogue for possible alternatives to a New York proposal that would require collateralization of certain unauthorized reinsurance transactions. The Task Force also adopted an ACA Fee Sensitivity Test for page LR033, which mirrors the sensitivity test discussed above for health entities.

Property and Casualty Risk-Based Capital

The Task Force adopted the Catastrophe Risk Charge for Insurance Subsidiaries Proposal, and voted to expose an ACA Fee Sensitivity Test Proposal discussed above for health entities for a 16-day comment period ending April 14, 2014. The Task Force also voted to expose for a 45-day comment period the Reinsurance Association of America’s letter regarding its proposed credit risk charge for reinsurance in R3, R6 and R7, with a comment deadline of May 13, 2014.

Federal Home Loan Bank Proposal

The Task Force adopted the Federal Home Loan Bank Proposal, which would include changes to Annual Statement Instructions to improve the accounting and reporting for transactions with Federal Home Loan Banks, including revisions to the General Interrogatories.

Investment Risk-Based Capital

The Investment Risk-Based Capital (E) Working Group heard a report from the American Academy of Actuaries on the review of the methodology for calculating the base corporate bond asset risk factors, updates to assumptions, and preliminary results generated by the model. The proposed revised model would expand the number of bond classes from five to 13 and take into account notching for different collateral types (senior secured, senior unsecured and subordinated), resulting in the creation of a matrix of asset risk factors. As the model is not yet complete, no action was taken.

(8) VALUATION OF SECURITIES

Securitization Data Quality

During the February 14, 2014 conference call, the Valuation of Securities (E) Task Force raised the issue that the NAIC’s Structured Securities Group determined that certain

residential mortgage-backed securities (RMBS) could not be modeled due to a lack of documentation. This led to a discussion of the deficiencies in the processes and standards used to ascertain data quality, particularly with respect to RMBS and commercial mortgage-backed securities (CMBS). During the Spring National Meeting, the Task Force adopted a charge to develop data quality and documentation standards for RMBS and CMBS and formed the Securitization Data Quality (E) Working Group and referred it to the charge and a related NAIC staff memorandum. The Working Group is to develop data quality and quantity standards consistent with the policies in the SVO Purposes and Procedures Manual for the purpose of assessing whether a new issue RMBS or CMBS is eligible for analysis and modeling. The Working Group would also recommend amendments to the Purposes and Procedures Manual to clarify when a private label RMBS or CMBS might be ineligible for analysis. The Working Group is to provide the Task Force with a final report by June 15, 2015.

Structured Securities

The Task Force heard a report from the Structured Securities Group and Capital Markets Bureau on efforts to identify the population of securities potentially within the definition of Structured Notes. NAIC staff stated that it was hard to know exactly the size of the market, but that preliminary estimates indicated that the size of the market to be between \$1 billion and \$1.5 billion, with 400 CUSIPs exposure. NAIC staff also indicated that the dataset was very limited and that additional data gathering and disclosure would be required. Insurance industry comments to the report emphasized that the exposure in the life insurance industry to such securities is relatively minor.

Technical Amendments

The Task Force adopted four technical amendments to the SVO Purposes and Procedures Manual to address text that conflicted with the existing policy against reclassification. The four amendments, which were discussed during the February 25, 2014 conference call, related to: (1) deletion of instructions and text fragments relating to short-dated non-principal securities; (2) modifying the instructions for catastrophe bonds to remove its equity classification and permit them to be filing exempt; (3) deletion of the “expedited review” paragraph in the Regulatory Treatment Analysis Service instructions and (4) addition of a new instruction to clarify the policy and analytical process applicable to hybrid securities. The Task Force also heard comments on the proposed technical amendment to refine and clarify the definition of principal protected notes and ordered the SVO to work with the insurance industry to revise the proposal.

Financial Presentation Issues

The Task Force heard a report from the SVO staff to study a new accounting standard under Canadian GAAP called Accounting Standards for Private Enterprises which serves as an alternative to IFRS for private enterprises as well as the national GAAP of France and the Netherlands. When the study is complete, SVO staff will make recommendations to the Task Force on what amendments to the SVO Purposes and Procedures Manual need to be made, if any. The ACLI volunteered to educate SVO staff on the new Canadian GAAP standards.

Referred Projects

The Task Force heard staff reports on certain referred projects, including: (1) Developments in Recalibration Impact Assessment, which relates to the impact on the NAIC and the state insurance regulatory process of the NAIC Designations and NAIC Designation categories and whether amendments would be required to state law as a result of redundancies or inconsistencies; (2) Bottom-Tier Residual Interests and whether such interests are well-defined or violate the policy against reclassification and (3) the Joint Project to Revise Investment SSAPs, for which an issue paper was authorized for referral back to the Task Force with a May 8, 2014 comment deadline.

Other

The Task Force also proposed that the SVO Purposes and Procedures Manual be updated to conform to current practice, including amendments to the name of the manual, descriptions of the relevant committees, description of staff functions and conforming definitional changes. The proposal was received and exposed for a 45-day comment period. The Task Force also received and voted to expose for comment a staff proposal to create a new Part Seven of the Purposes and Procedures Manual to consolidate text applicable to the recently formed Structured Securities Group.

(9) OTHER MATTERS

Reauthorization of the Terrorism Risk Insurance Act of 2002

The Terrorism Insurance Implementation (C) Working Group continued discussion on the potential reauthorization of the Terrorism Risk Insurance Act of 2002, which is set to expire at the end of 2014. Working Group members and interested parties expressed support for the reauthorization and noted that a failure to reauthorize would result in market disruptions, particularly for the workers' compensation market, as providers of

workers' compensation insurance in many cases are barred by law from excluding terrorism risks from their policies. It was observed that the failure to reauthorize is already beginning to cause market disruptions and the failure to reauthorize in a timely manner would result in further disruptions. While the Senate Banking Committee held a hearing on reauthorization in February 2014, no new bills have been introduced in either chamber of Congress and the three bills in the House have seen no progress.

Mortgage Guaranty Insurers

The Mortgage Guaranty Insurance (E) Working Group discussed comments received to a revised draft of the Mortgage Guaranty Insurance Model Act that was exposed by the Working Group at the Fall National Meeting. The Working Group also received an update on proposed federal legislation that would likely affect the mortgage insurance industry if enacted into law.

In February 2014, seven mortgage guaranty insurers collaborated with their counsel to provide comment on, and substantially revise the draft of, the Mortgage Guaranty Insurance Model Act that was exposed by the Working Group at the Fall National Meeting. The Working Group took issue with many of the changes made by the mortgage guaranty insurers in the revised draft. The Working Group agreed to revise their previously exposed revised draft Model Act, taking into account the draft received from the industry and other comments received.

The Working Group also received an update on federal legislative matters from the NAIC. Of particular interest was the recent release by the Senate Banking Committee Chairman Tim Johnson and Ranking Member Mike Crapo of their proposed housing finance reform legislation, entitled the Housing Finance Reform and Taxpayer Protection Act of 2014. If passed, the bill, among other things, would replace Fannie Mae and Freddie Mac with a new agency called the Federal Mortgage Insurance Corporation (FMIC). The bill in its current form also touches upon mortgage guaranty insurers and, although the bill states that a state insurance regulator would be the primary regulator of a mortgage guaranty insurer, there are a number of places in the proposed bill where the FMIC would have authority over mortgage guaranty insurers, including the authority to recommend that a regulator take a mortgage guaranty insurer into receivership if certain capital standards were not met. According to the NAIC update, if the state insurance regulator were not to place the insurer into receivership, the proposed bill would give the FMIC the authority to do so.

(10) NAIC CORPORATE GOVERNANCE

The recently formed Governance Review (EX) Task Force, which was created with the purpose of reviewing the NAIC's governing documents, policies and procedures and making recommendations to the Executive (EX) Committee, held its first public meeting. The main topics of the meeting were to: (1) discuss a proposed charge to review the NAIC governing documents and make recommendations; (2) consider a recommendation to the Executive (EX) Committee regarding whether to engage an outside consultant to engage in the review and (3) discuss proposed revisions to the NAIC Policy Statement on Open Meetings. In discussions, all three items received strong support from both the Task Force members and interested parties. The proposed revisions to the NAIC Policy Statement on Open Meetings, which provide that all NAIC meetings will, in the future, be presumptively open to the public, were adopted.

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Please do not hesitate to contact us with any questions.

April 4, 2014