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March 17, 2014

The Honorable James Metzen
Chair, Senate Commerce Committee
Capitol, Room 322
75 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, Minnesota 55155-1606

Re: Letter in Support of Amending SF 2347
Senate Commerce Committee Hearing, March 17, 2014

Dear Senator Metzen and Members of the Committee:

The National Association of Mutual Insurance Companies (NAMIC) is the largest property/casualty trade association in the country, with 1,400 regional and local mutual insurance member companies serving more than 135 million auto, home, and business policyholders and writing in excess of \$196 billion in annual premiums. More than 200,000 people are employed by NAMIC member companies. In Minnesota, we have 188 member companies, including 115 domestics, which underwrite 53% of the state's insurance.

While SF 2347 addresses several issues, this letter will focus solely on Article 5, the holding company act changes, specifically the new requirement for holding companies to file the Enterprise Risk Report (or Form F). NAMIC suggests that new Subdivision 11a of Section 60D.19 be amended to read (new language in bold italic) as follows:

Subd. 11a. Enterprise risk filing. The ultimate controlling person of an insurer subject to registration shall also file an annual enterprise risk report. The report ***shall be appropriate to the nature, scale, and complexity of the operations of the insurance holding company and*** must, to the best of the ultimate controlling person's knowledge and belief, identify the material risks within the insurance holding company system, ***if any***, that could pose enterprise risk to the insurer. The report must be filed with the lead state commissioner of the insurance holding company system as determined by the procedures within the Financial Analysis Handbook adopted by the National Association of Insurance Commissioners. ***The first enterprise risk report shall be due and filed no later than May 1, 2015, and annually thereafter by the first day of May each year, unless the lead state insurance commissioner extends the time for filing for good cause shown.***

This language presents a balanced approach to the requirement for holding company systems to submit the Enterprise Risk Report. It allows the regulator to obtain necessary information

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on the non-insurer affiliates of complex holding company systems while not imposing an onerous burden on smaller companies that are holding companies merely because they hold an insurance agency or their home office as a separate company within the system.

The language is substantially similar to Missouri Senate Bill 537 which has passed the Senate and is under consideration by the House of Representatives (links to that bill's webpage and perfected version are at the bottom of this letter). NAMIC and others worked closely with the Missouri Department of Insurance, Financial Institutions and Professional Registration to craft this language. We believe it does not present an accreditation concern, especially since Subd. 10 of Section 60D.19 already gives the Department substantial discretion on the registration requirements.

Legislation/regulation to provide Form F flexibility has been adopted in Texas, Kansas, Idaho, Indiana and Maine, with the latter being the basis for Missouri language. Similar legislative language is under serious consideration in Alabama, Ohio and Virginia.

Thank you for your attention to this issue. If you have any questions or comments, please do not hesitate to contact me. In the meantime, I remain,

Sincerely,



Mark Johnston
Director, State Affairs – Midwest Region

cc: Mr. Peter Brickwedde
Mr. Bob Johnson
Mr. Aaron Cocking

Bill's webpage:

http://www.senate.mo.gov/14info/BTS_Web/Bill.aspx?SessionType=R&BillID=27723588

Bill as passed by Senate:

<http://www.senate.mo.gov/14info/pdf-bill/perf/SB537.pdf>

(See section 382.175 on page 19)