

# IIA Business and Industry Event

Hot Topics in the Insurance Industry

January 19, 2012

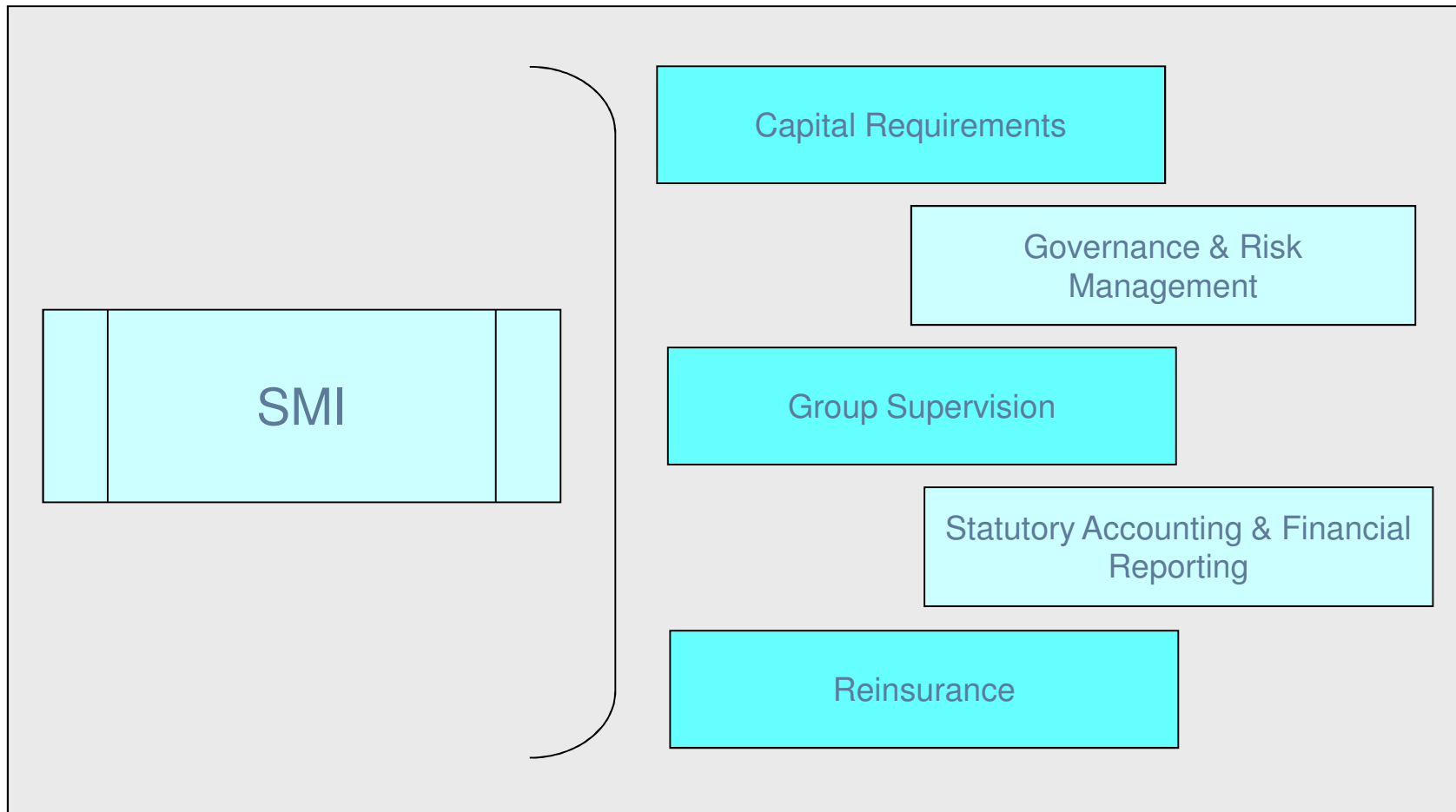


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# Solvency Modernization Initiative Roadmap

The NAIC defines the Solvency Modernization Initiative (SMI) as a critical self-examination of the United States' insurance solvency regulation framework and includes a review of international developments regarding insurance supervision, banking supervision, and international accounting standards and their potential use in U.S. insurance regulation. The SMI's focus areas as follows:





## Solvency Modernization Initiative Components

**Capital Requirements** – Evaluation of the RBC methodology and calculations by the Capital Adequacy Task Force, documentation of RBC history and public reporting of RBC.

**Governance & Risk Management** – The NAIC’s consideration of the development of Model Laws, current laws, and the review of relevant corporate governance principles of the International Association of Insurance Supervisors (IAIS) .

**Group Supervision** – The enhancement of a “windows and walls” approach to regulation that would provide a window to group operations while building upon the exiting walls which provide solvency protection.

**Statutory Accounting & Financial Reporting** – The inclusion of principal-based reserving and the impact of international accounting activities (*e.g.* IFRS).

**Reinsurance** – Facilitation of reinsurance transactions between the US and international parties, simplification of multi-state insurance and uniformity of regulation across the US to reduce collateral requirements.



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