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GNAIE

Group of North American Insurance Enterprises
40 Exchange Place, Suite 1707
New York, NY 10005
UNITED STATES

November 25, 2008

Mr. Ramon Calderon
Chairman
International Solvency and Accounting Working Group
NAIC

Dear Mr. Calderon:

The Group of North American Insurance Enterprises, Inc., would like to submit the following comments regarding the developments of the NAIC of the NAIC's Solvency Modernization Initiative. It is our understanding the ISAWG will continue its work on the Initiative next month by reviewing the comparison of the US solvency system with the proposed European model as captured in the Solvency II Directive and by developing a list of issues related to solvency which the NAIC will review in the coming years.

GNAIE members support initiative at the NAIC to address these issues. Since the NAIC instituted its risk based capital system, the management of insurance and the information and tools available to companies and regulators would suggest that it is appropriate to ensure that the US has the best regulatory process possible. Supervisors in other jurisdictions, as you are aware, are undertaking the same review and there is much to be learned from each other.

In approaching this review, we would urge the NAIC to begin by developing a set of principles to guide the NAIC through the process. We have seen in the development of the Principles Based Reserving project that too often decisions are made based on reference to existing procedures rather than by reference to the objectives of the new regime envisioned by PBR. Once these principles are developed, specific proposals can be tested against them to ensure that the new or revised solvency scheme has a consistent structure and methodology.

We believe that a new solvency system in the US should be one centered on the risks each insurer faces. Much groundbreaking work has been done in this area in Europe, Canada, and Australia. We commend the NAIC's decision to look more closely at these regimes.

In exploring a solvency regime, we urge the NAIC to specifically explore the critical issues of

- Group supervision and group support
- Valuation of liabilities

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- Use of enterprise risk management systems and internal models in the solvency supervision

We support the leadership role the NAIC has taken in the Solvency Subcommittee of the Internal Association of Insurance Supervisors and encourage your efforts to ensure that the lessons of the current financial crisis are evaluated and reflected in the solvency principles and guidance being developed.

I have attached the recently adopted GNAIE Solvency Principles developed to apply to all lines of insurance. In developing these, we worked closely with the ACLI, whose principles you received earlier this year.

We look forward to the opportunity to discuss these principles and the solvency modernization initiative with you in the future.

Sincerely,

Gideon Pell
Tonya Coletta
Co-Chairs, GNAIE Solvency Committee

Cc: Kris DeFrain, NAIC
Commissioner Alfred Gross, Chairman, E Committee



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