

SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE, No. 4212

STATE OF NEW JERSEY

DATED: DECEMBER 6, 2021

The Senate Commerce Committee reports favorably Senate Bill No. 4212.

This bill revises current State law on insurance holding company systems to adopt changes recommended by the National Association of Insurance Commissioners.

In December 2020, the National Association of Insurance Commissioners (NAIC) adopted changes to the model Insurance Holding Company System Regulatory Act to enable the requirement for the Group Capital Calculation (GCC) and the Liquidity Stress Test (LST).

The GCC requirement is a financial tool that assists state insurance regulators in identifying risks that may emanate from a holding company system. The GCC is intended to comply with the requirements of the “Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance,” which was signed on Sept. 22, 2017. On Dec. 18, 2018, a similar covered agreement was signed with the United Kingdom.

The LST was developed to provide state insurance regulators with insights into a key macroprudential risk monitored by the Financial Stability Oversight Council and other jurisdictions internationally. The LST requires the ultimate controlling person of an insurer to provide the results of a specific year’s LST to the lead state insurance commissioner.

State insurance regulators currently perform group analysis on all U.S. insurance groups, including assessing the risks and financial position of the insurance holding company system but lack the ability to assess the capital position of the group, as a whole. The GCC and LST will provide additional insight and transparency to insurance regulators regarding insurance groups.

This bill provides additional analytical tools for conducting group-wide supervision. The bill establishes provisions for a group capital calculation for assessing group risks and capital adequacy. The bill also establishes a liquidity stress test for assessing group liquidity risks. The bill requires confidentiality for the group capital calculation, liquidity stress test results and supporting disclosures.