

# One Hundred Seventh Legislature - Second Session - 2022

## Introducer's Statement of Intent

### LB863

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**Chairperson: Senator Matt Williams**

**Committee: Banking, Commerce and Insurance**

**Date of Hearing: January 18, 2022**

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

Legislative Bill 863 was introduced on behalf of the Director of Insurance. The legislation proposes to adopt the latest National Association of Insurance Commissioners (NAIC) amendments to the NAIC Insurance Holding Company System Regulatory Act, codified in Nebraska as the Insurance Holding Company Systems Act, Neb. Rev. Stat. §§ 44-2120 – 44-2155.

The NAIC is the United States' standard-setting and regulatory support organization created and governed by the chief insurance regulators from the fifty states, the District of Columbia and five United States territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the United States.

The latest update from the NAIC consists of two main components. The first component implements the group capital calculation provisions from a pair of Covered Agreements that the United States entered with the European Union and the United Kingdom, respectively. Those provisions clarify accounting rules for international insurance entities that have significant operations in both the United States and Europe. In particular, the group capital calculation rules are designed to provide more transparency to insurance regulators regarding the insurance group and make risks more identifiable and more easily quantified. The second component of the bill consists of guidelines for liquidity stress tests of large life insurers. These guidelines aim to capture the impact on the broader financial markets of aggregate asset sales under a liquidity stress event, thereby enhancing group regulation.

The group capital computation changes included in LB 863 will be an accreditation standard of the NAIC effective November 7, 2022. Passage of LB 863 will ensure that the Nebraska Department of Insurance continues to qualify for accreditation.

**Principal Introducer:** \_\_\_\_\_

**Senator Matt Williams**