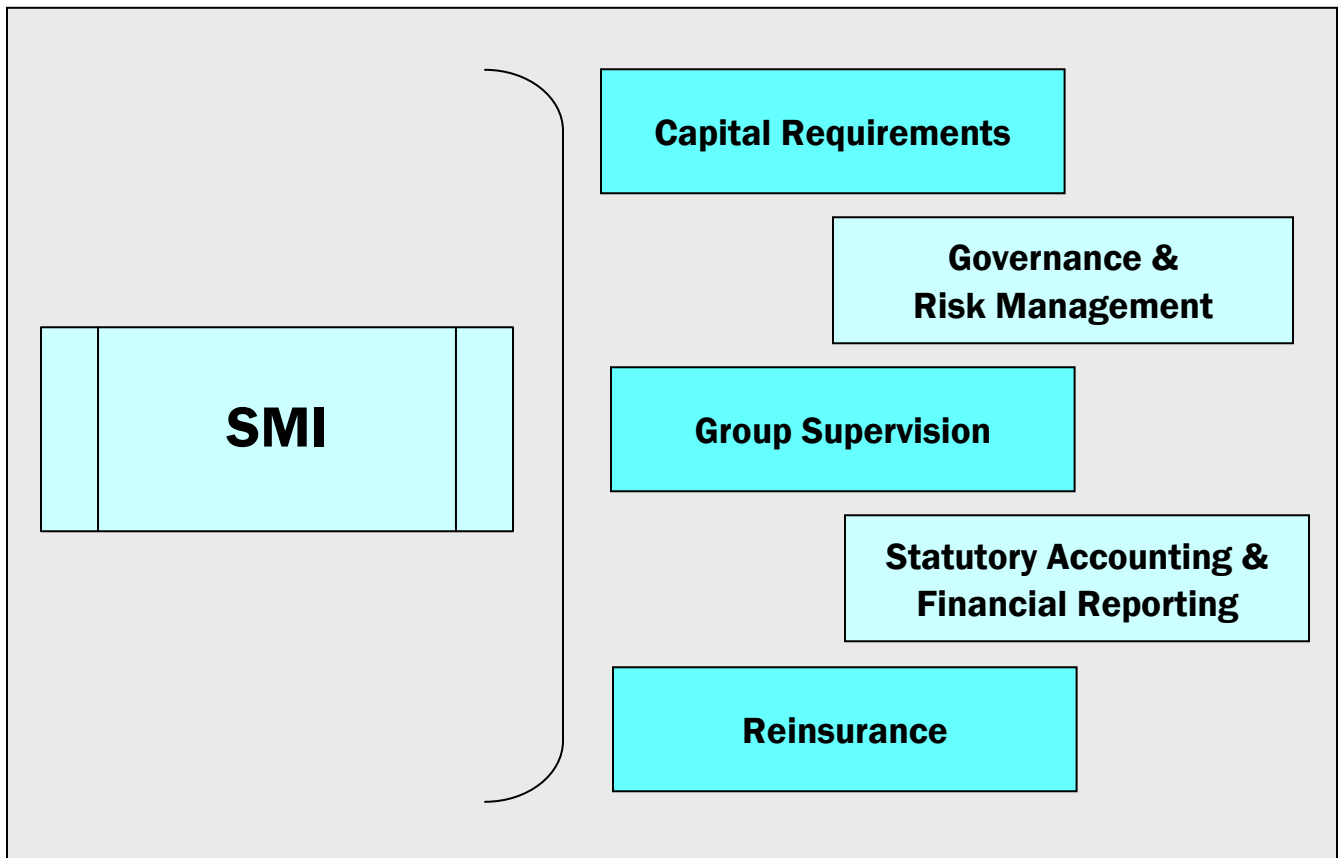


**Solvency Modernization Initiative
ROADMAP**

Solvency Modernization Initiative

1. The Solvency Modernization Initiative (SMI) is a critical self-examination to update 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.
2. The SMI scope includes the entire U.S. financial regulatory system and all aspects relative to the financial condition of an insurer, and is not limited to the evaluation of solvency-related areas. The SMI focuses on key issues such as capital requirements, governance and risk management, group supervision, statutory accounting & financial reporting, and reinsurance.



SMI Roadmap

3. This Roadmap sets out the policy direction and priorities for SMI activities and seeks to clarify the role and scope of various task forces' and working groups' SMI activities through year-end 2012.¹ We anticipate that almost² all major policy decisions will be completed by the end of 2012.
4. Key completed activities within the SMI include the following:
 - NAIC adoption of revised group supervision: Insurance Holding Company System Regulatory Act (Model #440) and the Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (Model #450).
 - NAIC adoption of the *Own Risk and Solvency Assessment (ORSA) Guidance Manual*.
 - Increased scheduling of supervisory colleges and implementation of supervisory colleges' tracking documentation.
 - NAIC adoption of the *Existing U.S. Corporate Governance Requirements*.
 - NAIC adoption of the Standard Valuation Law (Model #820) and completion of the industry impact study for life insurance principles-based reserving.
 - NAIC adoption of revised reinsurance supervision: *Credit for Reinsurance Model Law* (Model #785) and the *Credit for Reinsurance Model Regulation* (Model #786).
 - Documentation of the current U.S. Insurance Financial Solvency Framework and Core Principles.
 - Initial study of international solvency systems to formulate new ideas for consideration in the U.S.
5. The following describes the remaining issues and projects to be completed in the SMI, establishes some expected timelines for deliverables, and identifies the committees involved.

Capital Requirements

6. Capital requirements in the U.S. have been risk-based for more than a decade, with the initial life insurance risk-based capital (RBC) formula implemented in 1993. Numerous improvements have been implemented in the RBC formulas over time, with most recent changes including development of scenario modeling for life insurance interest and market risk ("C-3") risk and introduction of and changes to trend tests.
7. Four ladders of intervention currently exist, two as "action" levels and two as "control" levels. The amount of capital required for each level is based upon the application of industry-wide risk charges applied to each company's investment portfolio and risk profile. The RBC is calibrated to identify "weakly capitalized companies" and does not represent the economic target levels of capital that a company should hold.
8. RBC will continue to be a component in the legal framework of U.S. solvency regulation in order to maintain a floor for triggering regulatory intervention.
9. Because the NAIC made many of the RBC formula, factors and methodology decisions over a twenty-year period, we need to maintain institutional knowledge and ensure consistency in the formulas and calibrations. Therefore, we will compile historical information to explain why we developed each RBC formula, how we calculated individual factors, why/how we calibrated the formulas and factors, and why regulators subsequently made modifications to the formulas.
10. Since we knowingly excluded some risks in the RBC calculation, regulators have re-evaluated "missing risks" to determine if we should now include them in the RBC calculation, or whether we appropriately handle those risks utilizing other regulatory methods. Regulators will continue to evaluate RBC formulas, factors, and methodology, concentrating first on priority risks and the method to combine risk charges (the "square root formula") and making adjustments to reflect other SMI changes, such as statutory accounting (e.g. principles-based reserving) or reinsurance modifications. The Capital Adequacy (E) Task Force has identified three priority areas for implementation: introduction of an explicit property/casualty catastrophe risk charge, increased granularity in the asset and investment risk charges

¹ The SMI also includes development of comments regarding the International Association of Insurance Supervisors (IAIS)' technical papers; that aspect of the SMI is not included in this Roadmap.

² Exceptions might include decisions around international accounting.

(called the “C1 factor review”), and refinement to the credit risk charge for reinsurance recoverables. Modifications to the current methodology for deriving credits for risk diversification (i.e. “covariance”) are being studied by the Academy, utilizing the research arm of the Casualty Actuarial Society.

11. As factors and methodology are updated, we will (1) aim for a specified safety level and time horizon unless such calculation is not appropriate for a particular measurement (e.g. sufficient statistical data is not available or a different time horizon is more appropriate) and (2) aim for consistency between the RBC formulas (by line of business). Noticeably, there is not an aim to calibrate the final result of RBC to one safety level and time horizon, but to continue with the approach to calibrate to a level of weak capitalization, limiting the potential for false positives. A top-down approach to calibration would be unfeasible for a variety of reasons, including (1) safety levels and time horizons should vary by the underlying types of risk and (2) there is a lack of credible loss distributions and risk profiles needed to produce statistically valid aggregate safety levels.
12. The Capital Adequacy (E) Task Force will review the public reporting of final RBC calculations and decide whether the RBC should always be public, should only be public if an action/control level is triggered, or should never be public.
13. Beyond RBC, capital assessments are included in the adopted group supervisory guidance for the Own Risk and Solvency Assessment – ORSA. These additional capital assessments will more clearly distinguish the RBC as our final financial regulatory safeguard to (1) guaranty regulator action and (2) provide the legal authority to intervene without extensive litigation. The group capital assessment will be the tool to assess the financial stability of a company, group, or industry and disclosure of capital sufficiency in the group (to potentially aid a failing entity in the group).
14. The following identifies the timeline of activities for RBC capital requirements:
 - Development of a plan for the modification to the formulas to implement missing significant risk charges: finalized Nov. 2011
 - Prioritization of risks in the RBC formula for evaluation: finalized Nov. 2011
 - Historical RBC documentation, including determination of the average calibration of the current RBC: Dec. 2012
 - Proposal for improvement to the methodology to combine risk charges: Dec. 2012
 - Plan of action for changes to RBC including definition of the standard safety level and time horizon and the public nature of some company-specific RBC calculations: Dec. 2012
15. Modifications to RBC capital requirements are considered by the Capital Adequacy (E) Task Force, its SMI RBC Subgroup, and its working groups. The Task Force is addressing modification to asset categories jointly with the Valuation of Securities (E) Task Force through the C1 Factor Review Subgroup.

Governance and Risk Management

16. Historically, U.S. insurance regulators have reviewed the corporate governance of prospective insurer's before granting a certificate of authority to write insurance business. On an ongoing basis, a review of an insurer's corporate governance practices is performed during on-site financial examinations. The review of corporate governance during a financial examination has increased significantly as the U.S. has moved to a risk-focused examination process, and the increased review has highlighted the need for additional standards in this area. Examiners have identified concerns related to Board oversight, succession planning, lack of formal risk management and a failure to establish independent internal audit functions. These issues are typically dealt with indirectly, as there is not a set of uniform corporate governance standards for insurers within insurance regulation. Consequently, this is an area of solvency regulation where regulators believe some improvements may be necessary.
17. The most recent financial crisis also led to continued discussions by regulators and international supervisors regarding the importance of corporate governance and risk management. Although most insurers weathered the crisis, regulators have recognized a need to learn from the governance problems identified in other industries and act before a crisis in corporate governance or risk management directly impacts insurers. Many of the financial supervisors around the world have taken measures to clarify standards and expectations relating to corporate governance for regulated entities in their respective areas, and U.S. regulators have identified a need to make improvements consistent with what is being done around the world.
18. In addition, comments received from the recent U.S. participation in the Financial Sector Assessment Program (FSAP) found that the U.S. largely observed many of the international supervisory principles related to corporate governance and risk management. However, specific deficiencies in the U.S. regulatory process were identified and recommendations were made for improvements in certain areas. These recommendations included establishing: (1) specific suitability criteria (e.g. background, experience, etc.) for key persons; (2) requirements in relation to ongoing notifications regarding suitability; (3) additional requirements or guidance for insurers related to good corporate governance practices; (4) requirements for insurers in maintaining an internal audit function; and (5) explicit requirements for insurers in maintaining risk management systems capable of identifying, measuring, assessing, reporting and controlling risks.
19. Many of the existing corporate governance requirements for insurers are contained in state corporate governance statutes and case law. Therefore, to get a better understanding of existing laws and regulations, the Corporate Governance (EX) Working Group performed a review of existing legislation and case law relating to corporate governance requirements for insurers and summarized corporate governance laws in California, Delaware, Georgia, Illinois, Iowa, Nevada, New York and Texas. In addition, the Working Group studied Rhode Island's recent adoption of corporate governance provisions into its insurance code. The Working Group also performed a study of corporate governance principles and standards placed upon insurers worldwide by the International Association of Insurance Supervisors (IAIS), Australia, Canada, Switzerland, and the United Kingdom. The study sought input from the supervisors in each of these countries on the summarized principles. As a result of this study, Working Group members noted that many of the standards and principles adopted in other countries, and included in the IAIS core principles, are not necessarily fully addressed within the current U.S. insurance regulatory system.
20. After extended consultation with interested parties, the Working Group agreed to compile a summary of existing corporate governance requirements found within NAIC/insurance-specific sources and non-NAIC/insurance-specific sources, to assist in identifying potential changes in the existing insurance regulatory structure that could be addressed through the Solvency Modernization Initiative. This summary identifies existing corporate governance requirements, standards and regulatory monitoring practices that are applied to insurance entities in the United States within the structure of The United States Insurance Financial Solvency Framework, which was adopted by the NAIC in 2010. Financial solvency core principles underlie the active regulation that exists today and make up the Framework. Seven core principles are identified for the U.S. insurance regulatory system and these principles were utilized to illustrate the corporate governance requirements, standards and regulatory monitoring practices that are currently in place within the U.S. system. The summary *Existing U.S. Corporate Governance Requirements* was adopted by the Working Group on December 22, 2011.

21. After summarizing the existing corporate governance requirements, the goal of the Working Group is to perform a comparative analysis between the existing U.S. requirements and regulatory needs, best practices and principles outlined within the IAIS' Insurance Core Principles. After the comparative analysis is performed, the Working Group plans to develop additional guidance and/or requirements to address the issues before completing its primary charges by the end of 2012 as required under the Solvency Modernization Initiative.
22. The projected timeline for corporate governance related activities is as follows:
- Hold interim conference calls to perform comparative analysis and determine whether additional enhancements are necessary: Mar – Aug 2012
 - Publicly expose proposed enhancements to existing U.S. corporate governance requirements including referrals to other NAIC groups: Aug 2012
 - Receive and address comments: Aug – Nov 2012
 - Finalize and adopt enhancements to existing corporate governance requirements: Nov 2012
23. Regulators currently perform certain elements of risk management evaluation in the enhanced risk-focused surveillance process, which includes an assessment of risk and the insurer's ability to manage or mitigate risks. To formalize regulatory considerations in this area, regulators drafted a consultation paper to discuss risk management reporting and quantification requirements (e.g. ERM/ORSA-type tool) in light of the global development of risk management supervisory tools that incorporate periodic risk reporting, stress tests, and provide a group capital and prospective solvency assessment. The Group Solvency Issues (E) Working Group scheduled several meetings to discuss the implementation and utilization of the ORSA tool within the U.S. solvency system. The NAIC adopted the NAIC *Own Risk and Solvency Assessment Manual* in March 2012.
24. Implementation of the ORSA was referred to the Financial Condition (E) Committee for implementation.
25. The following identifies the timeline for risk management activities:
- Development of an ERM/ORSA-type tool: Adopted the NAIC *Own Risk and Solvency Assessment Manual*, March 2012
 - Create a model law to require the Own Risk and Solvency Assessment: June 2012
26. Governance issues are under consideration by the Corporate Governance (E) Working Group. Risk management issues are under consideration by the Group Solvency Issues (E) Working Group.

Group Supervision

27. Group supervision is currently performed under authority of the *Insurance Holding Company System Regulatory Act* (Model #440) and the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (Model #450) and applied under practices described in the NAIC *Financial Analysis Handbook*.
28. At the heart of the lessons learned from the recent financial crisis was the need for regulators to be able to assess the enterprise risk within a holding company system and its impact or contagion upon the insurers within that group. Therefore, regulators want to enhance certain prudential features of group supervision within the models and monitoring practices, providing clearer windows into group operations, while building upon the existing walls which provide solvency protection for insurers. The concepts addressed in the enhanced "windows and walls" approach include 1) communication between regulators; 2) supervisory colleges; 3) access to and collection of information; 4) enforcement measures; 5) group capital assessment; and 6) accreditation.
29. Models #440 and #450, as modified and adopted in December 2010, apply to groups of two or more affiliated persons/organizations, at least one of which is an insurer. The revised models still contain the previous windows and walls concepts, including requirements to acquire an insurer, commissioner approval of certain material transactions (e.g. large investment or reinsurance transactions) and extraordinary dividends, examination authority (of insurer and affiliates), and receivership authority; however, enhancements to the models to address lessons learned from the financial crisis, as well as the following:

- Expansion on the ability to look at any entity within an insurance holding company system that may or may not directly affect the holding company system, but could pose reputational risk or financial risk to the insurer through a new Form F – Enterprise Risk Report.
 - Enhancements to regulators’ rights to access information, especially regarding the examinations of affiliates and access to books and records to better ascertain the financial condition of the insurer, as well as language to require notification of divestiture of controlling interest.
 - Introduction of and funding for supervisory colleges. While regulators are able to participate in supervisory colleges today, the amended models and forthcoming documented best practices will enhance the US regulators ability to participate in supervisory colleges and provide guidance on how to conduct, effectively contribute to, and learn from colleges.
 - Enhancements in corporate governance, Board of Director and Senior Management responsibilities – in line with the current NAIC Model Audit Rule, state laws and legal practices.
 - Guidance on the disclaimer of affiliation filings that includes disallowance of a disclaimer of affiliation language and an opportunity for an administrative hearing on those matters.
 - Additional standards for reviewing affiliated agreements to enhance minimum requirements.
30. Additionally, the following timeline identifies activities approved by Group Solvency Issues (E) Working Group and/or the Financial Condition (E) Committee related to group supervision:
- Supervisory college tracking documentation: Completed August 2010;
 - International Supervisory College On-line Request Form: Completed October 2010;
 - Accreditation Part B Guidelines regarding depth of review and documentation of the holding company analysis: December 2010;
 - Holding Company and Supervisory Best Practices document and a referral accepted by the Financial Analysis Handbook Working Group to include in the *Annual 2011/Quarter 2012 NAIC Financial Analysis Handbook* publication: Adopted November 2011; and
 - Group-wide capital assessment was incorporated into the now-adopted *NAIC Own Risk and Solvency Assessment Manual*.
 - Study whether there is a need to create a standard template for the holding company financial reporting requirements required by the Form B: June 2012

Statutory Accounting & Financial Reporting (including Valuation)

Valuation (Principles-Based Reserving)

31. Statutory accounting for life insurance reserves (“valuation”) is not yet principles-based, as it is for other lines of business. The NAIC adopted the Standard Valuation Law (Model #820) in late 2009, pending implementation until completion of the Valuation Manual. Regulatory actuaries drafted an initial Valuation Manual, under which an industry impact study was conducted by an NAIC-selected consultant. The Life Actuarial (A) Task Force and Health Actuarial (B) Task Force are currently tasked with finalizing the Valuation Manual, considering the issues found in the impact study and coordinating with the SMI’s Principle-Based Reserving (E) Working Group. As with other handbooks and manuals at the NAIC, refinements to the Valuation Manual will be adopted over time, as needed.
32. Preliminary results from the industry impact study highlighted four key areas for improvement in the Valuation Manual. The following identifies the issues and the current status to resolve the issues:
- Margins on individual assumptions versus aggregate margin - Resolved.
 - Return assumptions for reinvested assets – Resolved.
 - Mortality Development - Language has been developed and was exposed in March 2012.
 - Net Premium Reserve definition – The Life Actuarial (A) Task Force is coordinating work on this with the American Council of Life Insurers (ACLI), with expectations to resolve in mid-May at the earliest, due to the complexity of this topic.
33. To utilize principle-based reserving, statistical agent(s) will need to provide regulators and the industry with statistical information. We expect to determine how to collect such information in the second half of 2012.

34. The following identifies the timeline of activities for life insurance principle-based reserving:

- Industry Study Completed: February 2012 (with final written document expected soon).
- Statistical Agent Policy Decisions: Second half of 2012.
- Implementation plans from technical groups: preliminary plans received in March 2012; Additional updates planned in August 2012.
- Valuation Manual (VM-20) – Initial draft for testing was adopted Fall 2010; Final draft expected in June 2012 with consideration by Plenary in the Fall 2012.

Future of Statutory Accounting & Financial Reporting

35. Regulators analyze Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) pronouncements and International Financial Reporting Standards (IFRS), especially regarding insurance contracts and financial instruments, and provide input to the IAIS, the FASB, and occasionally to the IASB directly.

36. Our current statutory accounting system already includes a process to consider any new Generally Accepted Accounting Principles (GAAP) pronouncements, whereby we reject, adopt, or modify GAAP changes for implementation into our statutory accounting system. Agreed convergence between FASB and IASB have already produced some GAAP pronouncements, but even with this process in place, commissioners are contemplating (1) future policy decisions on this approach; (2) the impact of international accounting activities; (3) the extent of public disclosure versus regulatory reporting; (4) compliance with IAIS ICPs related to accounting and reporting, and (5) the need to communicate with international regulators.

37. Given the current state of play, we expect to address those policy decisions after completion of the IASB/FASB Insurance Contracts project and U.S. Securities and Exchange Commission (SEC) decision regarding IFRS. Awaiting these decisions has potential to delay the policy positions regarding IFRS and its inclusion/exclusion from the framework of insurance solvency regulation and on the regulatory impacts of non-regulatory uses of statutory financial statements past 2012. The International Solvency and Accounting Standards (E) Working Group and Statutory Accounting Principles (E) Working Group will provide technical recommendations at the appropriate time.

38. The following identifies the timeline of activities for statutory accounting:

- Primary non-technical considerations were documented and discussed: July 2010
- Comments on IASB/FASB Insurance Contracts Exposure Draft/Discussion Paper: Provided November 30, 2010
- Comments on ICP 14-Valuation to the IAIS: Provided April 19, 2011
- Policy positions regarding IFRS and its inclusion/exclusion from the framework of insurance solvency regulation and on the regulatory impacts of non-regulatory uses of statutory financial statements: delayed

Reinsurance

39. The Reinsurance Regulatory Modernization Framework proposal (Reinsurance Framework), adopted by the NAIC during its Winter 2008 National Meeting, is a conceptual framework that the Reinsurance (E) Task Force developed in response to its charges to consider (1) the current collateralization requirements regarding unauthorized reinsurers and (2) the design of a revised U.S. reinsurance regulatory framework. The Reinsurance Framework is intended to facilitate cross-border reinsurance transactions and enhance competition within the U.S. market, while ensuring that U.S. insurers and policyholders are adequately protected against the risk of insolvency.

40. The Reinsurance Framework recommended implementation through federal legislation in order to best preserve and improve state-based regulation of reinsurance, ensure timely and uniform implementation of this legislation throughout all NAIC member jurisdictions, and as a more comprehensive alternative to related federal legislation. Throughout 2009, the Task Force developed federal legislation intended to implement the Reinsurance Framework and in September 2009, the NAIC Government Relations Leadership Council approved the Reinsurance Regulatory Modernization Act, and agreed to submit the draft federal legislation to Congress for its further action.

41. The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law on July 21, 2010. While the Dodd-Frank Act contains provisions that impact reinsurance regulation, the NAIC's proposed federal legislation was not

included. The Dodd-Frank Act includes the Nonadmitted and Reinsurance Reform Act (NRRA), as well as creates the Federal Insurance Office (FIO) within the U.S. Department of the Treasury. With respect to reinsurance, the NRRA prohibits a state from denying credit for reinsurance if the domiciliary state of the ceding insurer recognizes such credit and is (1) an NAIC-accredited state; or (2) has financial solvency requirements substantially similar to NAIC accreditation requirements. It also preempts the extraterritorial application of a non-domiciliary state's laws, regulations, or other actions (with certain limitations), and it reserves sole responsibility for regulating the reinsurer's financial solvency to a reinsurer's domiciliary state. Finally, it prohibits any other state from requiring a reinsurer to provide financial information in addition to that required by its NAIC-compliant domiciliary state.

42. To date, some states have already implemented individual state-based reinsurance collateral reforms: Florida, New York, New Jersey and Indiana have enacted reinsurance reform legislation and other states have considered similar legislation. In October of 2010, in response to an informal request by the Financial Regulation Standards and Accreditation (F) Committee, the Task Force adopted key elements of the Reinsurance Framework that should be considered in reviewing any individual state initiatives, and considered whether these key elements should be incorporated into the *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786).
43. In December 2010, the NAIC decided to charge the Task Force to consider amendments to Models #785 and #786 to incorporate key elements of the Reinsurance Framework. In addition, the NAIC Plenary approved Recommendations Regarding Key Elements of the Reinsurance Framework for Accreditation Purposes (Accreditation Recommendations). To clarify, the Accreditation Recommendations are not a change to the current NAIC accreditation standards regarding reinsurance collateral; however, the Recommendations will provide guidance to the Financial Regulation Standards and Accreditation (F) Committee to potentially use when reviewing any individual state reinsurance collateral reforms enacted prior to NAIC adoption of model law/regulation amendments and/or adopting related changes to the accreditation standards. Revisions to Model #785 and #786 were adopted in Nov. 2011.
44. The Task Force will now turn its efforts toward: 1) providing guidance to the Financial Regulation Standards and Accreditation (F) Committee with respect to key elements of revised Model #785 and #786 to be considered for the purposes of the Financial Regulation Standards and Accreditation Program; 2) development of reporting instructions for forms CR-F and CR-S applicable to certified reinsurers under the revised Model #785 and Model #786; 3) development of an NAIC committee process to evaluate the reinsurance supervisory systems of non-U.S. jurisdictions (for the purposes of developing and maintaining a list that includes any such jurisdiction that is recommended through the NAIC committee process for recognition by the states as a qualified jurisdiction in accordance with the revised Model #785 and Model #786, under which an assuming insurer licensed and domiciled in a qualified jurisdiction is eligible to be considered for certification by a state as a certified reinsurer); and 4) formation of a new NAIC group to provide advisory support and assistance to the states in the review of reinsurance collateral reduction applications.
45. For implementation of the certified reinsurer process, changes are being proposed to the annual statement blank and instructions and the Accounting Practices and Procedures Manual to instruct entities how to account and report for the use of reinsurance from certified reinsurers. In March 2012, the Blanks (E) Working Group and the Statutory Accounting Principles (E) Working Group exposed the proposed changes for comment.
46. Regulators may also consider whether modernization of risk transfer requirements applicable to life reinsurance is appropriate. The Reinsurance (E) Task Force will coordinate these considerations with the Life Actuarial (A) Task Force and Health (B) Actuarial Task Force.
47. The following identifies the timeline for reinsurance modernization activities:
 - Provide guidance to the Financial Regulation Standards and Accreditation (F) Committee with respect to key elements of the revised Model #785 and #786 for the purposes of the Financial Regulation Standards and Accreditation Program: 2012
 - Develop instructions for forms CR-F and CR-S applicable to certified reinsurers under the revised Model #785 and #786: 2012
 - Develop an NAIC committee process to publish a list of jurisdictions recommended to be recognized by the states as qualified jurisdictions in accordance with the revised Model #785 and #786: 2012
 - Form a new NAIC group to provide advisory support and assistance to the states in the review of reinsurance collateral reduction applications: 2012
 - Re-exam the collateral amounts included in the revised Model #785 and #786: November 2013

48. Reinsurance modernization issues are currently under consideration in the Reinsurance (E) Task Force.

SMI Task Force

49. The SMI (E) Task Force coordinates all NAIC efforts to successfully accomplish the SMI, utilizing the technical expertise of numerous NAIC groups. The Task Force recognizes the interplay of SMI issues and the interrelationships of activities in different NAIC groups. The Task Force will monitor the evolving proposals to ensure that work is coordinated and does not overlap.

Future U.S. Insurance Financial Solvency Framework and Core Principles

50. Regulators will be making changes in the SMI that will modify the U.S. solvency framework, both in the implementation of new tools and processes, as well as the elimination of aspects no longer needed.

51. The Solvency Modernization Initiative (E) Task Force is drafting a white paper to explain the U.S. financial regulatory framework and how and why it works so successfully. Regulators released the draft SMI white paper, *The U.S. National State-Based System of Insurance Financial Regulation and the Solvency Modernization Initiative* for comment in March 2012. This white paper provides an overview of the current U.S. Framework; an evaluation of U.S. market competitiveness, considering the U.S. regulatory mission; a more detailed description of financial regulation and regulatory tools used in the Framework; and an elaboration on expected SMI changes to the Framework.

52. At the end of the SMI process, regulators will determine whether the Solvency Modernization Initiative (E) Task Force should make changes or revisions to the *U.S. Insurance Financial Solvency Framework and Core Principles* to reflect the work of the SMI.

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