

Telephone Conference with National Association of Insurance Commissioners  
Commenting on Proposed Rule Regarding  
Mutual Insurance Holding Company Treated as Insurance Company  
January 17, 2011

Attendees on behalf of NAIC included Mark Sagat, Jim Mumford, Jim Armstrong, Patrick Hughes  
Attendees on behalf of FDIC: Mark A. Thompson, Elizabeth Falloon, R. Penfield Starke.

The NAIC supports the rule, but offered some technical corrections and comments:

1. With regard to the definition of “mutual insurance holding company,” NAIC advised that the mutual insurance company may hold a majority of the voting stock of the converted mutual insurance company that is less than 51%, and recommended changing the language to refer to a “majority” in lieu of “at least 51%” in that definition.
2. NAIC also advised that an intermediate insurance stock holding company does not have to hold all of the stock of the converted mutual insurance company. NAIC recommended changing the language from “all” to “a majority” or “at least 50.1%.”
3. NAIC also advised that some intermediate holding companies are formed after the initial transaction in which the MIHC and the stock insurance company are formed, and recommended a change to the language in the definition of that term requiring that the intermediate mutual holding company “holds all of the issued and outstanding voting stock of the converted mutual insurance company created at the time of formation of the mutual insurance holding company...”.
4. NAIC inquired the reason for the requirement that the largest subsidiary must be an insurance company, but did not recommend any change with respect to that provision.
5. With regard to the definition of “mutual insurance company,” NAIC recommended deleting the term “domestic” as redundant since the definition required it be organized under State law.
6. With regard to the definition of “mutual insurance holding company,” NAIC advised that a mutual insurance holding company is permitted to hold a majority of the voting stock of the intermediate company or the converted mutual insurance company, rather than all of its stock, and suggested additional flexibility with respect to that aspect of the definition. That issue was also raised with respect to section 380.11 of the proposed rule.
7. NAIC advised MIHC’s don’t have the same limitation on investments as insurance companies. However, certain states like Iowa require that the MIHC’s investments in non-insurance assets be less than 50% of GAAP net worth