

**MEMO# 35811**

September 4, 2024

# ICI Submits Comment Letter on NAIC's Financial Analysis Handbook Exposure Draft

[35811]

September 03, 2024

TO: ICI Members  
Investment Company Directors  
Proxy Working Group  
SEC Rules Committee  
Small Funds Committee  
ESG Advisory Group SUBJECTS: Compliance  
Fund Governance  
Investment Advisers RE: ICI Submits Comment Letter on NAIC's Financial Analysis Handbook Exposure Draft

On Friday, ICI submitted a comment letter (linked below) on the National Association of Insurance Commissioners' (NAIC's) Financial Analysis Handbook Exposure Draft (the "Exposure Draft") of the Financial Analysis Solvency Tools (E) Working Group.[\[1\]](#) In a section labeled "complex ownership structures," the Exposure Draft proposes additional guidance relating to regulatory reviews of certain transactions involving a domestic insurer. The proposed changes are part of a broader initiative focused primarily on private equity firms' investments in insurance companies and intended to address concerns that "[r]egulators may not be obtaining clear pictures of risk due to holding companies structuring contractual agreements in a manner to avoid regulatory disclosures and requirements."[\[2\]](#)

In our letter, we strongly object to the suggestion that regulated fund investment in an insurer (or a parent of an insurer) constitutes a "complex ownership structure."[\[3\]](#) We explain how substantive requirements and regulatory protections distinguish regulated funds from other investors in insurance companies. We highlight how investment intent can be discerned efficiently from current reporting to the SEC (specifically, the beneficial ownership reporting requirements under Sections 13(d) and (g) of the Exchange Act). Finally, we comment on the "best practices" envisioned by the Exposure Draft and why they would be ill-suited to regulated funds and fund advisers.[\[4\]](#)

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Associate General Counsel & Corporate Secretary

Matthew Thornton  
Associate General Counsel

#### Notes

[1] Available at  
<https://content.naic.org/sites/default/files/inline-files/FASTWG%20Exposure%20Draft%20%281%29.pdf>.

[2] See NAIC's "Regulatory Considerations Applicable (But Not Exclusive) to Private Equity (PE) Owned Insurers,"

available at  
<https://content.naic.org/sites/default/files/inline-files/List%20of%20MWG%20Considerations%20-%20PE%20Related%20and%20Other.pdf>.

[3] The proposed "Disclaimer of Control/Affiliation" subsection indicates that when reviewing a disclaimer of affiliation filing, "Consideration should be given to situations where a disclaiming party may exert influence or control over the insurer, such as:... passive investment companies with more than 10% ownership of voting shares within funds they manage, where the actions and activities do not support that the investment company's assertion that it does not exert control."

[4] For instance, we oppose the Exposure Draft's suggestion that insurance regulators include as a stipulation or condition in a disclaimer approval "[r]equir[ing] 30-day notice... if a 'passive owner' is acting counter to management recommendations for proxy voting."