



Association of Insurance Commissioners National

To: Commissioner Todd Kiser, Chair of the Financial Regulation Standards and Accreditation (F) Committee
From: Kathy Belfi and Mike Yanacheak, Co-Chairs of the ORSA Implementation (E) Subgroup
Date: June 14, 2018
Re: ORSA Review Timelines

The ORSA Implementation (E) Subgroup is charged with continually reviewing and monitoring the effectiveness of the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505) and its corresponding *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual*. In accordance with this charge, the Subgroup referred Accreditation Part B recommendations related to regulator review of ORSA Summary Reports to the Committee in 2017. However, at that time, the Subgroup was unable to recommend guidelines for use in evaluating the timeliness of regulator review of ORSA Summary Reports. Instead, the Subgroup requested additional time to study this issue and committed to presenting a recommendation to the Committee on this issue in 2018.

In studying the issue of review timeliness, the Subgroup noted that states face a number of challenges in reviewing and utilizing the information provided in ORSA Summary Reports on a timely basis, including the following:

- ORSA Summary Reports are often very lengthy and technical, requiring a significant amount of time and expertise to adequately review.
- Many of the ORSA Summary Reports are prepared and filed on a group basis and are filed with the Lead State for review, which results in many of the reports being filed with a few insurance departments that have a concentration of large groups.
- In most states, there is no required filing date/deadline for ORSA Summary Reports (i.e., they can be filed any time during the calendar year), which results in many reports being filed in the fourth quarter. This concentration of filings in the fourth quarter can create challenges for regulators in completing reviews during the holiday season and before annual financial statements are received (March 1 due date).

Therefore, although the Subgroup will recommend timeliness guidelines for consideration, the Committee is asked to keep these challenges in mind. The Subgroup recommends the following revisions to existing guidelines be considered by the Committee for a Jan. 1, 2019 implementation date:

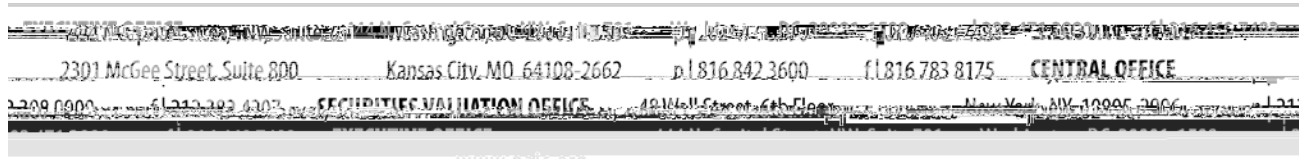
Part B1: Financial Analysis

e. Documented Analysis Procedures

Standard: The department should have documented financial analysis procedures and/or guidelines to provide for consistency and continuity in the process and to ensure that appropriate analysis procedures are performed on each domestic insurer.

Process-Oriented Guidelines:

8. If the company is part of a group that is subject to ORSA requirements, an analysis of the ORSA Summary Report should be completed by the Lead State and shared with other states that have domestic insurers in the group within 120 days of receipt. Such analysis should address all three



sections of the ORSA Summary Report, consistent with guidance outlined in the NAIC *Financial Analysis Handbook*.

9. If the company is subject to ORSA requirements at the legal entity level, and an ORSA Summary Report has been prepared at that level, an analysis of the ORSA Summary Report should be completed by the domestic state within 180 days of receipt. Such analysis should address all three sections of the ORSA Summary Report, consistent with guidance outlined in the NAIC *Financial Analysis Handbook*.

In addition to the guideline revisions indicated above, the Subgroup discussed various issues that could come up during the implementation of the revisions and developed the following supporting guidance for the Committee's consideration:

ORSA Analysis

The analysis of ORSA Summary Reports is expected to include documentation demonstrating that all three sections of the report have been adequately reviewed and assessed, with follow-up procedures identified as appropriate. The analysis of the ORSA Summary Report should be distributed to other states when warranted, in accordance with prescribed timelines. However, communication of feedback to the company and/or follow-up procedures are not required to be complete prior to finalizing the analysis in accordance with prescribed timelines.

If there are any questions regarding these recommendations, please feel free to contact us or NAIC support staff (Bruce Jenson) for clarification. Thank you for your consideration of this important referral.