



TO: Financial Regulation Standards and Accreditation (F) Committee

FROM: NAIC Staff

DATE: July 10, 2019

RE: Company Licensing Accreditation Standards – Self-Evaluation Guide

At the Spring National Meeting, the Financial Regulation Standards and Accreditation (F) Committee exposed revisions to the Part D: Organization, Licensing and Change of Control of Domestic Insurers standards and Review Team Guidelines. The National Treatment and Coordination (E) Working Group's recommended revisions include: 1) updating the Guidelines to reflect current practices; 2) expanding the scope to include redomestications; and 3) including Part D in the review team's recommendation with the result that the outcome can affect a state's accredited status. The Working Group recommended that the revisions be adopted with an effective date of Jan. 1, 2020; however, the recommended effective date for subjecting Part D to Recommendation A or B, and thus impacting a state's accredited status, is Jan. 1, 2022.

The proposed revisions to the Part D standards and Guidelines will require the Self-Evaluation Guide (SEG) to be updated. The SEG facilitates the state's reporting of compliance with the Guidelines; therefore, any change to the Guidelines must be accounted for in the SEG.

In addition, as a result of these revisions, the Accreditation Program Manual's references to Part D will need to be updated. NAIC staff will ensure that these non-substantive changes will be made accordingly.

The proposed SEG revisions for Part D to ensure consistency with the Guidelines are attached.

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PART D: ORGANIZATION, PRIMARY LICENSING, REDOMESTICATION AND CHANGE OF CONTROL OF DOMESTIC INSURERS

a) Sufficient Qualified Staff and Resources

The department should have the appropriate staff and resources to effectively and timely review applications for primary licensure of new companies and redomestications and Form A filings for all domestic insurers.

	YES	NO
1. Does the department staff have the capacity to effectively review <u>applications for primary licensure of new companies, redomestications</u> applications and Form A filings in a timely manner?	_____	_____
2. Does the department have established minimum educational and experience requirements for staff positions in the company licensing area which are commensurate with the duties and responsibilities of the position?	_____	_____
3. As a separate attachment, provide a current year list of staff responsible for analyzing company applications. With that list, please include the following: <ul style="list-style-type: none"> ▪ Name, ▪ Title, ▪ Years employed by the department (include functional area), ▪ Type of college degree, including major areas of concentration, ▪ Prior regulatory or insurance experience, and ▪ Indicate whether the individual is a department employee (full/part time) or a contractual employee (exclusive to the department/not exclusive to the department). 		
4. As a separate attachment, provide a listing of any L/H and P/C primary licensure applications and any multi-state L/H and P/C Form A filings (whether approved or denied) received since the department's last full review. <u>Also include any multi-state L/H and P/C primary redomestication applications received Jan. 1, 2020 and after.</u> With that list, please include the following: <ul style="list-style-type: none"> ▪ Name of person responsible for reviewing the filing, ▪ <u>Type of filing,</u> ▪ Date the filing was received, ▪ Date the filing was reviewed for completeness, ▪ Date(s) the department contacted the company for additional or supplementary information (if applicable), and ▪ <u>Date the company was informed of licensure, approval/denial of the filing.</u> ▪ <u>Whether the filing review was completed timely per department procedures, and</u> ▪ <u>If the review was not completed timely, provide the reason.</u> 		

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Primary Licensing, Redemestications and Change of Control – continued

YES **NO**

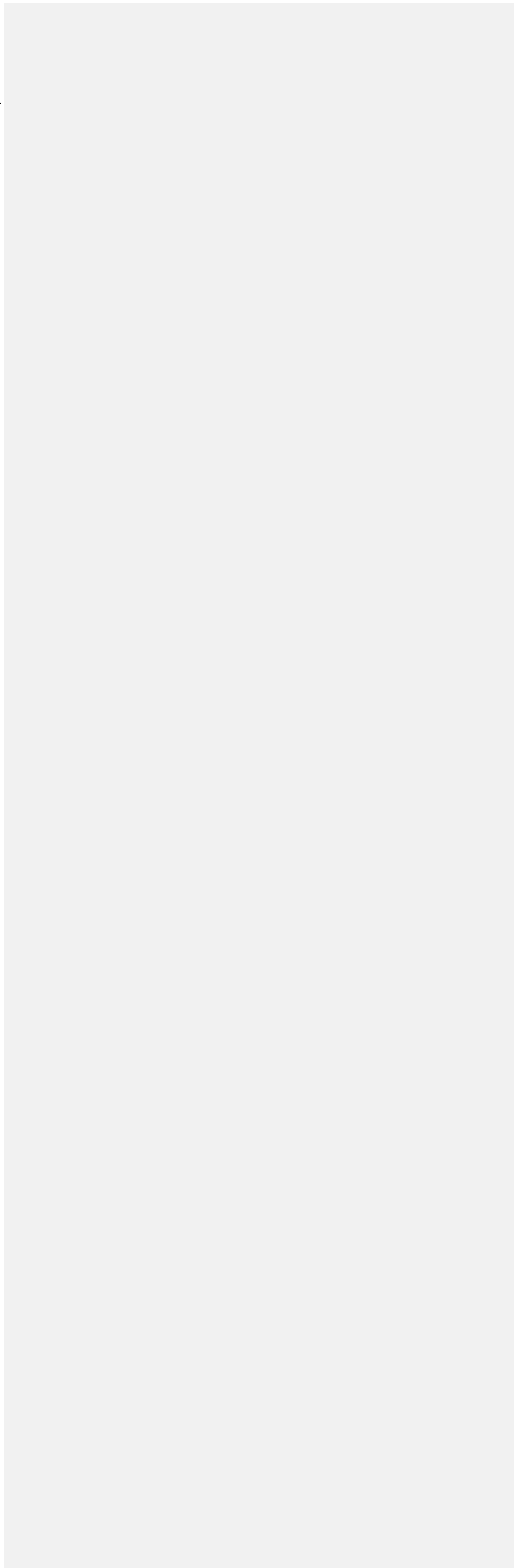
~~5. If the department has developed timing requirements that differ from the NAIC Company Licensing Best Practices Handbook, please attach a copy of the timing requirements policy, be sure to include timing expectations for initial review from date of receipt, notification to the insurer, and completion of the review.~~

~~6. If there are extenuating circumstances and the required timing guidelines cannot be met for a particular application, are such circumstances clearly documented in the application file?~~

~~7. Do the department’s statutes or regulations specify timing requirements for the completion of primary licensure applications?~~

~~8. If the answer to #7 above is yes, please attach a copy of the department’s authority discussing such requirement.
**If this is an interim annual review, only provide the department’s timing requirements if there has been a change from the previous submission of this information, otherwise indicate “no changes”.*~~

~~9. If the answer to #7 above is no, does the department follow the timing requirements set forth in the Review Team Guidelines, which state the review should be completed within 90 calendar days of receipt (barring exceptions for when information is requested)?~~



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Primary Licensing, Redemestications and Change of Control – continued

b) Scope and Performance of Procedures for Primary Applications

The department should have documented licensing procedures to provide for consistency in the review process and to ensure that appropriate procedures are being performed on all primary applications. The use of the NAIC Company Licensing Best Practices Handbook is considered acceptable.

	YES	NO
1. Does the department have documented licensing procedures that require a review and/or analysis of the following:		
<u>A review and analysis of:</u>		
Identification and evaluation of the b Business and strategic plans of the applicant, including pro forma financial projections?	_____	_____
<u>Pro forma financial projections?</u>	_____	_____
<u>Biographical Affidavits?</u>	_____	_____
<u>Adequacy of proposed reinsurance program?</u>	_____	_____
<u>Adequacy of investment policy?</u>	_____	_____
<u>Adequacy of short-term and long-term financing agreements:</u>		
<u>Initial financing of proposed operations or transaction?</u>	_____	_____
<u>Maintenance of adequate capital and surplus levels?</u>	_____	_____
<u>An assessment of the quality and expertise of:</u>		
{The ultimate controlling person?; proposed officers and directors, appointed actuary and appointed accountant, including use of the NAIC Form A and SAD Market Action Tracking System (MATS) databases for related information about the primary applicant and other key persons?}	_____	_____
<u>Proposed officers and directors?</u>	_____	_____
<u>Appointed actuary?</u>	_____	_____
<u>Appointed accountant?</u>	_____	_____
Related party agreements' compliance with SSAP No. 25?	_____	_____
2. <u>Do department procedures require a review of the Form A and Market Action Tracking System (MATS) databases for related information about the primary applicant and other key persons?</u>	_____	_____
23. In a separate attachment, provide sueh licensing procedures and discuss any additional processes developed to review/analyze a primary licensure application. <i>*If this is an interim annual review, only provide the department's procedures for reviewing primary applications if there has been a substantial change from the previous submission of this information, otherwise indicate "no changes".</i>		

Commented [MB1]: It was brought to our attention during the exposure period that this language is duplicative of #2. We therefore recommend removing it from this bullet.

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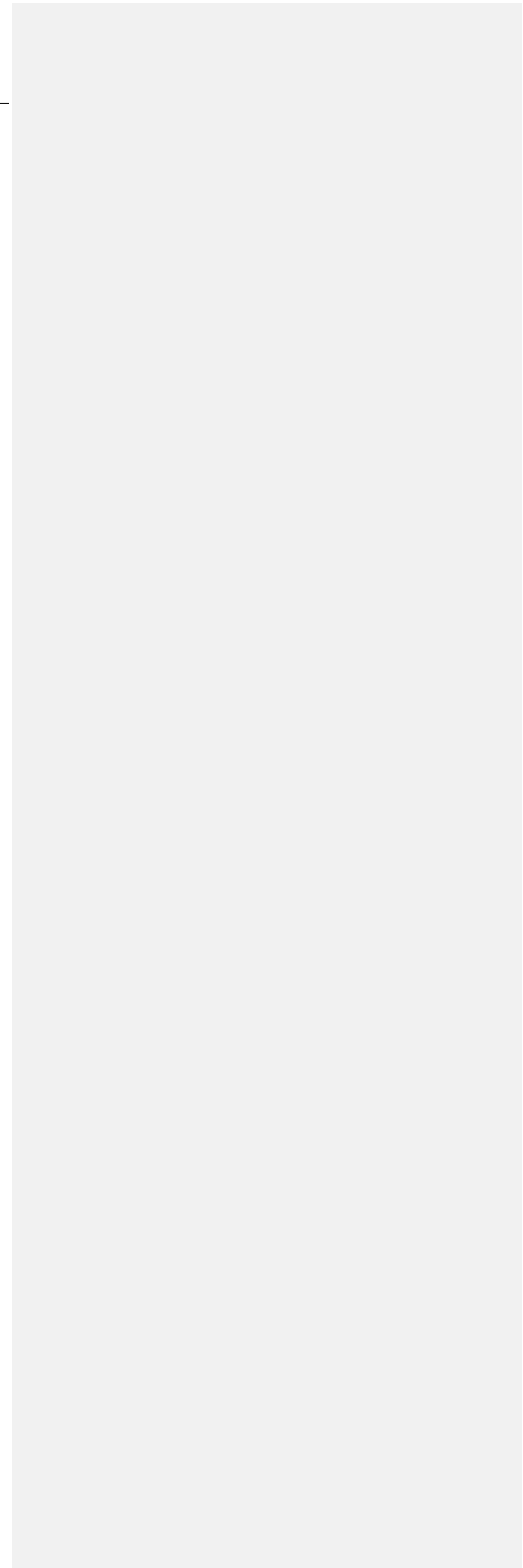
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Primary Licensing, Redomestications and Change of Control – continued

34. Do the department's files contain evidence, including whether the applicant meets licensure requirements (i.e. approve or deny), and adequately demonstrate licensing procedures for primary applications were followed?

YES

NO



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Primary Licensing, Redemestications and Change of Control – continued

c) Scope and Performance of Procedures for Redomestication

The department should have documented procedures for the review of redomestication applications to provide for consistency in the review process and to ensure that appropriate procedures are performed for all redemestications. The use of the NAIC *Company Licensing Best Practices Handbook* is considered acceptable.

	<u>YES</u>	<u>NO</u>
1. <u>Does the department have documented procedures for the review of redomestication applications that require the following:</u>		
<u>A review and analysis of:</u>		
▪ <u>Business and strategic plans?</u>	_____	_____
▪ <u>Actuarial opinion?</u>	_____	_____
▪ <u>Annual and quarterly statements?</u>	_____	_____
▪ <u>Risk-based capital (RBC) report?</u>	_____	_____
▪ <u>Independent CPA audit report?</u>	_____	_____
▪ <u>Insurance Holding Company System Annual Registration Statement and Exhibits (Form B)?</u>	_____	_____
<u>An assessment of:</u>		
▪ <u>Senior management?</u>	_____	_____
▪ <u>Board of directors?</u>	_____	_____
▪ <u>Corporate governance?</u>	_____	_____
2. <u>Do department procedures require, at a minimum, a conference call with the domestic regulator to obtain, discuss and conclude on the following:</u>		
▪ <u>Most recent IPS and supervisory plan, including supporting analysis detail for significant risks?</u>	_____	_____
▪ <u>Reason for redomestication?</u>	_____	_____
▪ <u>Concerns identified with the insurer/group?</u>	_____	_____
▪ <u>History of communication with the insurer/group?</u>	_____	_____
▪ <u>History of regulatory actions?</u>	_____	_____
▪ <u>Results of recent examinations (financial and market conduct), including findings and resolutions?</u>	_____	_____
▪ <u>Status of and responsibilities for annual financial analysis and group analysis, if applicable?</u>	_____	_____
▪ <u>Status of and responsibilities for the financial examinations?</u>	_____	_____
3. <u>Do department procedures require upon receipt of a primary application for redomestication that notification be sent to the lead state of the insurance holding company group and a copy of the most recent GPS be obtained, if applicable?</u>	_____	_____

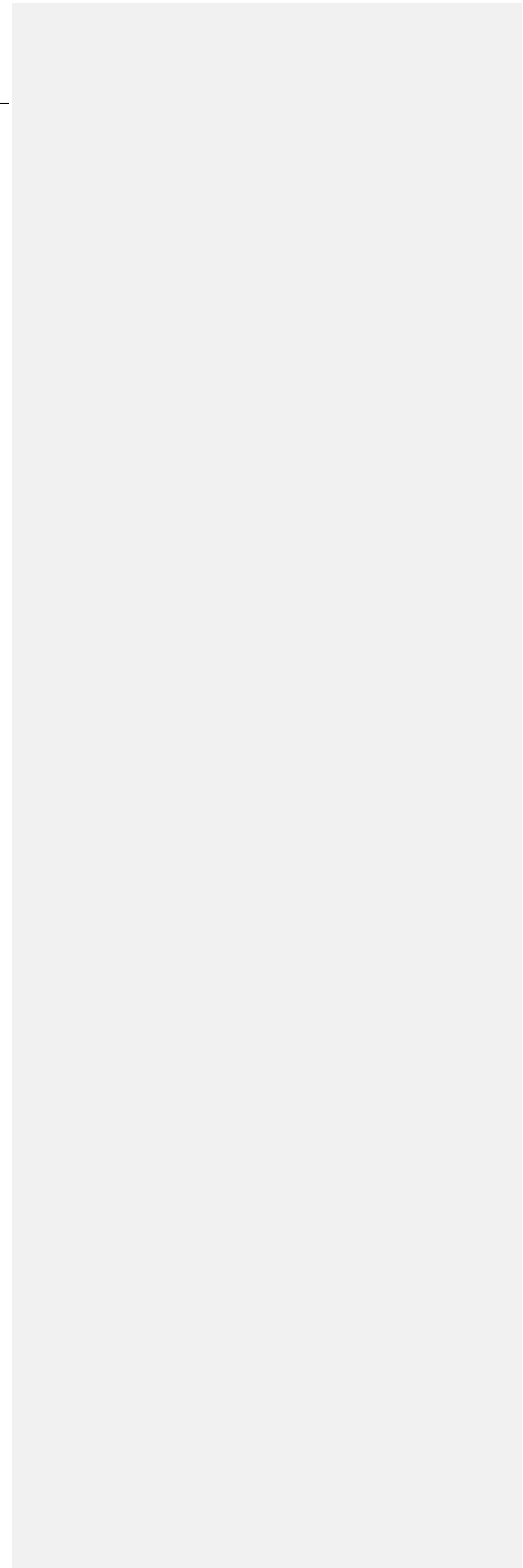
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Primary Licensing, Redomestications and Change of Control – continued

YES

NO

4. In a separate attachment, provide procedures and discuss any additional processes developed to review/analyze a redomestication application.



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Primary Licensing, Redomestications and Change of Control – continued

d) Scope and Performance of Procedures for Form A Filings

The department should have documented procedures for the review of Form A filings to provide for consistency in the review process and to ensure that appropriate procedures are being performed on all Form A filing reviews. The use of the NAIC Company Licensing Best Practices Handbook is considered acceptable.

	YES	NO
1. Does the department have documented procedures for the review of Form A filings that include at least the following:	_____	_____
▪ <u>Business and strategic plans of the insurer?</u>	_____	_____
▪ <u>Identity and background of the applicant and individuals associated with the applicant, including use of biographical affidavits to assess the quality and expertise of the following:</u>	_____	_____
▪ <u>Ultimate controlling person?</u>	_____	_____
▪ <u>Proposed officers and directors (as listed on the Jurat page of the most recent or upcoming financial statement)?</u>	_____	_____
▪ <u>Other owners of 10% or more of voting securities?</u>	_____	_____
▪ The source, nature and amount of the consideration used or to be used in effecting the merger or other acquisition of control?	_____	_____
▪ Fully audited financial information regarding the earnings and financial condition of the ultimate controlling person(s) for the preceding five years? (If fully audited financial information is not available, substantially similar information such as compiled financial statements or tax returns, as deemed acceptable to the commissioner, may be reviewed in lieu of fully audited financial information.)	_____	_____
▪ Unaudited financial information regarding the earnings and financial condition of the ultimate controlling person(s) as of a date not earlier than 90 days prior to the filing of each statement <u>the Form A</u> ?	_____	_____
2. In a separate attachment, provide such procedures and discuss any additional processes developed for the review of Form A filings. <i>*If this is an interim annual review, only provide the department's procedures for reviewing Form A filings if there has been a substantial change from the previous submission of this information, otherwise indicate "no changes".</i>		
3. Is it the department's policy to utilize <u>review</u> the Form A database to obtain information on prior filings made by an applicant and <u>the ultimate outcome of such</u> to inform other states of the receipt and status of Form A filings?	_____	_____
4. If the answer to #3 above is yes, d <u>Do</u> the department's procedures for such <u>utilization of the Form A database</u> include the following:		
▪ Review the Form A database for any prior filings made by the Form A applicant and the ultimate outcome of such filing(s)?	_____	_____

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Primary Licensing, Redomestications and Change of Control – continued

	YES	NO
<ul style="list-style-type: none"> ▪ Pertinent and relevant information from the Form A filing should be manually entered into the Form A database within 10 business days of receipt of the Form A? 	_____	_____
<ul style="list-style-type: none"> ▪ Any changes to the status of a filing or other data elements should be entered into the Form A database within 10 business days? 	_____	_____
<ul style="list-style-type: none"> ▪ <u>Updating the Form A database when a filing stalls, at a minimum of once every six months to confirm the status of the filing and document the reason the filing has stalled?</u> 	_____	_____
<p>5. If the answer to #3 above is no, please provide the department’s policy and procedures on utilizing the Form A Database or any other independently developed procedures followed to obtain information on an applicant’s filings and to inform other states of the receipt and status of Form A filings in a timely manner.</p> <p><i>*If this is an interim annual review, only provide the department’s policy and/or procedures if there has been a substantial change from the previous submission of this information, otherwise indicate “no changes”.</i></p>		
<p>65. Do the department’s files contain evidence of conclusions regarding whether the Form A filing was approved or denied, and sufficient documentation that its procedures for Form A filings were adequately performed?</p>	_____	_____