



Date: 7/13/21

*Virtual Meeting  
(in lieu of meeting at the 2021 Summer National Meeting)*

**RISK RETENTION GROUP (E) TASK FORCE**

Monday, July 26, 2021

3:00 – 4:00 p.m. ET / 2:00 – 3:00 p.m. CT / 1:00 – 2:00 p.m. MT / 12:00 – 1:00 p.m. PT

**ROLL CALL**

Michael S. Pieciak, Chair	Vermont	Barbara D. Richardson	Nevada
Karima M. Woods, Vice Chair	District of Columbia	Marlene Caride	New Jersey
Andrew Mais	Connecticut	Russell Toal	New Mexico
Sharon P. Clark	Kentucky	Raymond G. Farmer	South Carolina
Troy Downing	Montana		

NAIC Support Staff: Becky Meyer/Sara Franson

**AGENDA**

1. Consider Adoption of its May 25 Minutes—*Sandra Bigglestone (VT)* Attachment One
2. Consider Adoption of its 2022 Proposed Charges—*Sandra Bigglestone (VT)* Attachment Two
3. Discuss RRG Task List Attachment Three
  - RRG Task List Attachment Four
  - RRG 2021 Regulator Survey
 —*Sandra Bigglestone (VT)*
4. Receive Updates on Related NAIC and/or Federal Actions  
—*Sandra Bigglestone (VT)*
5. Discuss Any Other Matters Brought Before the Task Force  
—*Sandra Bigglestone (VT)*
6. Adjournment

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Draft: 7/6/21

Risk Retention Group (E) Task Force  
Virtual Meeting  
May 25, 2021

The Risk Retention Group (E) Task Force met May 25, 2021. The following Task Force members participated: Michael S. Pieciak, Chair, represented by Sandra Bigglestone (VT); Karima M. Woods, Vice Chair, represented by Sean O'Donnell (DC); Andrew N. Mais represented by Fenhua Liu (CT); Troy Downing represented by Steve Matthews (MT); Russell Toal represented by Leatrice Geckler (NM); and Raymond G. Farmer represented by Daniel Morris (SC).

1. Adopted its Feb. 24 Minutes

The Task Force met Feb. 24 to discuss the applicability to risk retention groups (RRGs) of the 2020 revisions to the *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450).

Mr. O'Donnell made a motion, seconded by Mr. Matthews, to adopt the Task Force's Feb. 24 minutes (Attachment A). The motion passed unanimously.

2. Discussed the 2021 RRG Survey Results

Ms. Bigglestone said that 32 states completed the survey, which was conducted to identify what is working well and what areas the Task Force can improve related to non-domiciliary and domiciliary regulation of RRGs.

Becky Meyer (NAIC) summarized the survey results (Attachment B). She noted that the new tools the Task Force developed—including the frequently asked questions (FAQ), best practices, and revisions to the NAIC Uniform Registration Form (registration form)—were well received. However, nine states reported they were not aware of the revised registration form, indicating a potential opportunity for the Task Force to increase communication. There were also several recommendations related to additional training, which could include the registration process, but also general information about RRGs, their structure, and the related risks.

Ms. Bigglestone highlighted a few items in the survey, noting it brought to light some ideas to consider as the Task moves forward. Comments on completion of the registration form were encouraging but also indicated that some additional improvements may be needed. Ms. Bigglestone said she was pleased to know that communication between domiciliary and non-domiciliary states is occurring, and it is important to continue to encourage and improve that communication. She noted there were comments regarding electronic signatures, which is a hot topic for many filings and a topic the Task Force can follow through the work of other groups including work surrounding the Uniform Certificate of Authority Application (UCAA). Ms. Bigglestone noted one concern is the lack of information available to a non-domiciliary state on a newly formed RRG that is registering in that state and does not yet have an Insurer Profile Summary (IPS). She noted there may be room for development of alternative documents to supplement when no IPS is available, such as a summary prepared by the domiciliary state of their recommendation for approval of the license. She also noted that best practices surrounding domestic licensing could be developed to encourage transparency of practices and procedures. Overall, more communication and education of RRGs will be helpful to continue to support the work being done.

Mr. O'Donnell agreed that the survey results were useful and that additional education and awareness are areas the Task Force can consider. There are also ideas the Task Force can explore to add to the FAQ or best practices.

Ms. Bigglestone encouraged Task Force members, interested state insurance regulators and interested parties to review the survey and provide additional comments to NAIC staff. She asked that NAIC staff use the results of the survey to update the task list for discussion during the Task Force's next meeting.

3. Discussed the Applicability of Revisions to Model #440 and Model #450 Related to the GCC as an Accreditation Standard for RRGs

Ms. Bigglestone provided an update on the revisions to Model #440 and Model #450. The relevant changes relate to applying a group capital calculation (GCC) to groups with at least one insurer and one affiliate and are currently under consideration as an update to the accreditation standards. The Financial Regulation Standards and Accreditation (F) Committee exposed a referral on the revised standard at the Spring National Meeting. The exposure recommends that the GCC applies to all groups

with an effective date for accreditation of Jan. 1, 2026. To fulfill the Task Force's charge to assess whether and how accreditation changes should apply to RRGs, the Task Force will continue to follow the work of the Committee and consider providing a comment letter during the upcoming one-year exposure period. Ms. Bigglestone encouraged states to begin considering the potential implications on their domestic RRGs, including any concerns in applying the GCC, as well as potential benefits of obtaining the GCC for ongoing analysis.

3. Referred an Update to the Quarterly Non-Troubled Company Procedures to the Financial Analysis Solvency Tools (E) Working Group

Ms. Bigglestone stated that the quarterly non-troubled procedures contained within the NAIC *Financial Analysis Handbook* (Handbook) generate a set of indicators for any company not considered troubled by the domestic regulator. The results of the indicators help the analyst determine the depth of procedures necessary to perform in the first, second and third quarters. Two indicators—prior year risk-based capital (RBC) and prior year trend test—have an exclusion for RRGs. However, as the indicators are applicable to RRGs, the exclusions are no longer necessary. While RRG regulators have added flexibility in applying actions related to RBC, RBC is still calculated and can be a useful indicator when looking at the overall financial position of an RRG. The referral (Attachment C) recommends removing the exclusion for RRGs in items B.2 and B.3 of the quarterly non-troubled procedures.

Mr. O'Donnell made a motion, seconded by Mr. Matthews, to send the referral to the Financial Analysis Solvency Tools (E) Working Group. The motion passed unanimously.

5. Discussed Training Initiatives

Ms. Bigglestone stated that one element of the Task Force's charges is to consider educational opportunities that relate to RRG resources for both domiciliary and non-domiciliary states. One educational opportunity offered to help satisfy this element of the charges is the development of an RRG session at the 2021 Insurance Summit. The session is designed for both domiciliary and non-domiciliary state insurance regulators.

Having no further business, the Risk Retention Group (E) Task Force adjourned.

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## 2022 Proposed Charges

### RISK RETENTION GROUP (E) TASK FORCE

The mission of the Risk Retention Group (E) Task Force is to stay apprised of the work of other NAIC groups as it relates to financial solvency regulation and the NAIC Financial Regulation Standards and Accreditation Program. The Task Force may make referrals to the Financial Regulation Standards and Accreditation (F) Committee and/or other NAIC groups, as deemed appropriate.

#### Ongoing Support of NAIC Programs, Products or Services

1. The **Risk Retention Group (E) Task Force** will:
  - A. Monitor and evaluate the work of other NAIC committees, task forces and working groups related to risk retention groups (RRGs). Specifically, if any of these actions affect the NAIC Financial Regulation and Accreditation Standards Program, assess whether and/or how the changes should apply to RRGs and their affiliates.
  - B. Monitor and analyze federal actions, including any U.S. Government Accountability Office (GAO) reports. Consider any action necessary as a result of federal activity.
  - C. Monitor the impacts of recent tools and resources made available to domiciliary and non-domiciliary state insurance regulators pertaining to RRGs. Consider whether additional action is necessary, including educational opportunities, updating resources and further clarifications.

NAIC Support Staff: Becky Meyer

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**Risk Retention Group (E) Task Force – 2021**

Updated 7/15/21

<b>2021 (RESULT OF RRG SURVEY)</b>			
	<b>Concern/Issue</b>	<b>Possible Action</b>	<b>Status and Considerations</b>
1	Incomplete/inaccurate Registration Form	<ul style="list-style-type: none"> <li>• Develop instructions and/or best practices for both industry and regulators in completing and reviewing the registration form</li> <li>• Consider electronic means of handling/submitting form</li> </ul>	
2	Limited information available for new RRGs registering in other states	<ul style="list-style-type: none"> <li>• Develop a summary template that can be prepared by the domestic regulator and provided to a non-domestic regulator when an Insurer Profile Summary (IPS) is not available</li> </ul>	
3	Need for additional training for both domiciliary and non-domiciliary regulators	<ul style="list-style-type: none"> <li>• Consider potential webinars                             <ul style="list-style-type: none"> <li>○ Deeper dive on LRRRA</li> <li>○ Various RRG organizational structures and related risk</li> <li>○ Service provider relationships and risk</li> <li>○ Evaluation of RRG holding companies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Webinar completed at the June 2021 Insurance Summit</li> </ul>
4	Communication/Awareness - For example, ensuring regulators are aware of changes to the registration form	<ul style="list-style-type: none"> <li>• Utilize company licensing regulator forum to better distribute key information</li> </ul>	<ul style="list-style-type: none"> <li>• August 25 forum will include discussion of RRG Registration Form</li> </ul>
5	Licensing best practices for domestic RRG regulators	<ul style="list-style-type: none"> <li>• Develop best practices similar to traditional insurers, but tailored for RRGs</li> </ul>	

2019 AND PRIOR		
Concern/Issue	Possible Action	Status and Considerations
Fees charged by non-domiciliary states (initial and renewal registration fees)	<ul style="list-style-type: none"> <li>• Develop FAQ ✓</li> <li>• Updates to RRPB Handbook</li> <li>• Updates to the Model Risk Retention Act</li> </ul>	Discussed in FAQ
Delays by non-domiciliary states in processing registration forms	<ul style="list-style-type: none"> <li>• Develop FAQ ✓</li> <li>• Updates to RRPB Handbook</li> <li>• Enhance domiciliary state expectations ✓</li> <li>• Consider subjecting RRGs to Part D of accreditation requirements</li> </ul>	Discussed in Best Practices, including enhancing domiciliary state expectations
Time and resources needed to review and process registrations	<ul style="list-style-type: none"> <li>• Enhance domiciliary state expectations ✓</li> </ul>	Included in Best Practices
Lack of instructions/clarity in registration process (includes questions about immediacy of writing once registration submitted)	<ul style="list-style-type: none"> <li>• Updates to RRPB Handbook</li> <li>• Updates to Company Licensing Best Practices Handbook</li> </ul>	Updated registration form and Included discussion in FAQ and Best Practices
Registration forms received that are not complete or accurate (includes business plans that do not reflect current operations)	<ul style="list-style-type: none"> <li>• Registration Form review Instructions ✓ <ul style="list-style-type: none"> <li>○ Updates to RRPB Handbook</li> <li>○ Updates to Company Licensing Best Practices Handbook</li> </ul> </li> </ul>	Updated the registration form itself
Registration forms received that contain violations	<ul style="list-style-type: none"> <li>• Registration Form review Instructions ✓ <ul style="list-style-type: none"> <li>○ Updates to RRPB Handbook</li> <li>○ Updates to Company Licensing Best Practices Handbook</li> </ul> </li> <li>• Develop FAQ ✓</li> </ul>	Updated the registration from itself
Registration forms received for RRG that is insolvent or nearly insolvent	<ul style="list-style-type: none"> <li>• Enhance domiciliary state expectations ✓</li> </ul>	Updated registration form and Included discussion in Best Practices of potential action that can be taken
Options for recourse by non-domiciliary state if concerns with RRG	<ul style="list-style-type: none"> <li>• Develop FAQ – References to LRRRA ✓</li> </ul>	Discussed in FAQ and Best Practices
Notification to non-domiciliary state if serious issues are noted with RRG	<ul style="list-style-type: none"> <li>• Enhance domiciliary state expectations (communication) ✓</li> </ul>	Discussed in FAQ and Best Practices  Continue discussion of best practices in communication between domestic and

		non-domestic states when violations are identified or a registration is no longer approved by the domestic regulator.
Non-domiciliary state requesting access to same information/detail domiciliary state has upon registration (bios, etc.)	<ul style="list-style-type: none"> <li>• Enhance domiciliary state expectations (communication) ✓</li> <li>• Updates to online NAIC databases</li> </ul>	Discussed in FAQ and Best Practices
Process for reporting changes at an RRG to the non-domiciliary regulator (see question 19 on the registration form)	<ul style="list-style-type: none"> <li>• Best practices for both regulators and industry</li> </ul>	



## NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

### MEMORANDUM

TO: Risk Retention Group (E) Task Force

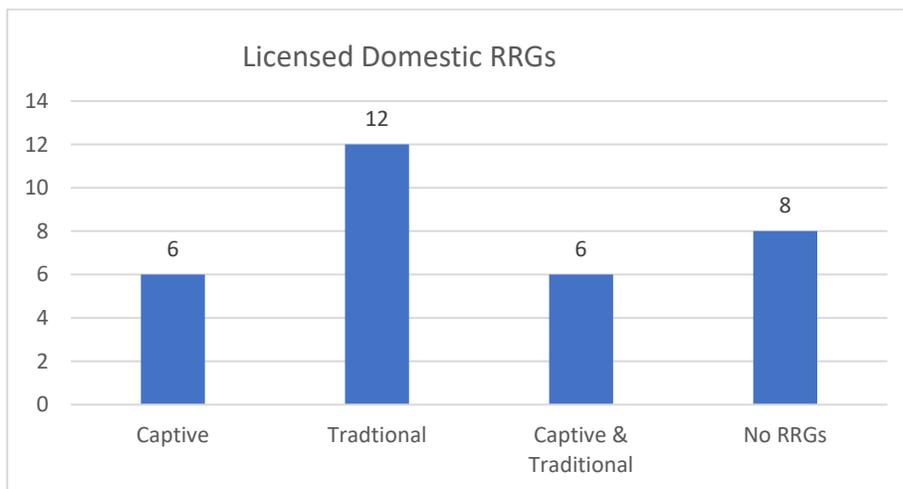
FROM: NAIC Staff

DATE: May 17, 2021

RE: 2021 Risk Retention Group Survey Results

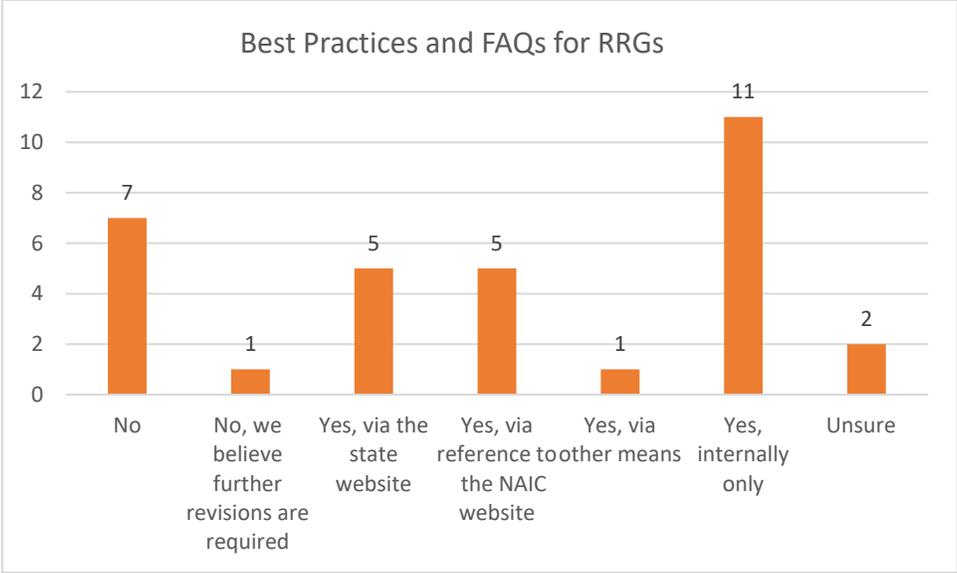
In February 2021, the Risk Retention Group (E) Task Force conducted a survey to identify what is working well and what areas the Task Force can improve related to both non-domiciliary and domiciliary regulation of risk retention groups. 32 states responded to the survey.

#### 1) Does your state license domestic risk retention groups?



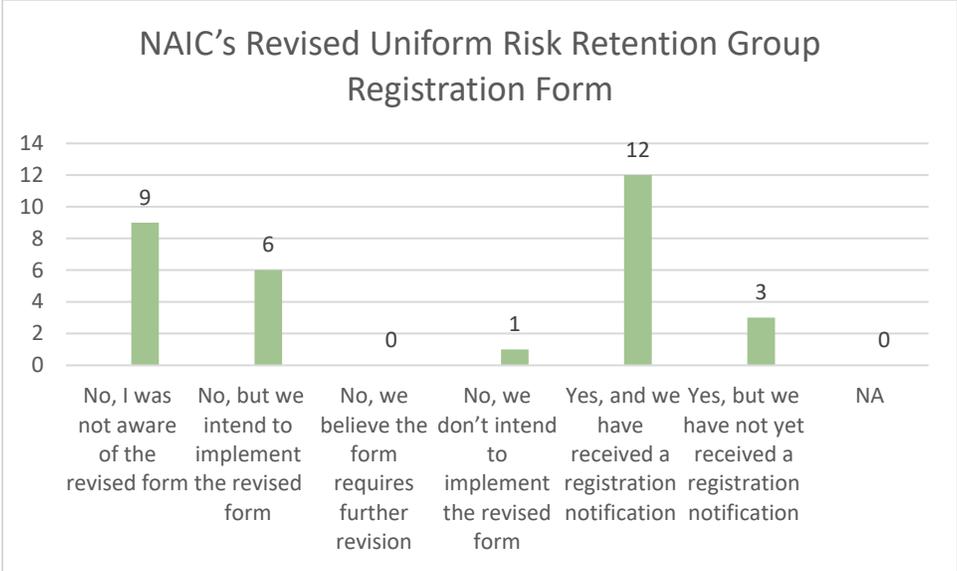
*Many states commented that while they have the structure to license an RRG as a traditional insurer, they do not currently have any RRGs licensed in their state.*

#### 2) Has your state implemented and provided access to the Best Practices and FAQs for Risk Retention Groups to: 1) - employees in your state responsible for registering or licensing RRGs; 2) - RRGs licensed or registered in your state; 3) - the general public? (referenced documents can be found on the RRGTF webpage under Related Documents [https://content.naic.org/cmte\\_e\\_risk\\_retention\\_group\\_tf.htm](https://content.naic.org/cmte_e_risk_retention_group_tf.htm) )



*Further revisions were in reference to the DOI website, without specific mention of revisions to the Best Practices or FAQ.*

3) (Non-Domiciliary Regulators) Has your state implemented the NAIC’s revised Uniform Risk Retention Group Registration Form adopted in 2020 by the C Committee?



*Generally, those that don’t intend to implement the updated form indicated they will incorporate the revisions into their state-specific registration forms.*

- 4) (Non-Domiciliary Regulators) Describe your state’s requirements and procedures/processes for the registration of a non-domiciliary RRG in your state.

*Most responses referenced the state’s registration form (see question #3 regarding how many states implemented the revised NAIC registration form). Another common theme in the states’ processes was to reach out to the domestic state if needed.*

- 5) (Non-Domiciliary Regulators) As a result of the NAIC’s revised Uniform Risk Retention Group Registration Form, and the Best Practices and FAQ documents, has your state implemented new or additional means of communicating/making inquiries with RRG domiciliary regulators as part of the registration process or annual review process?

Yes	9
No	23
N/A	0

*Many no answers commented that they already had procedures to reach out to the domiciliary regulator as needed. One noted they will consider incorporating this communication in the future.*

- 6) (Non-Domiciliary Regulators) Do you believe RRGs applying for registration in your state are properly completing the registration form and providing all required information?

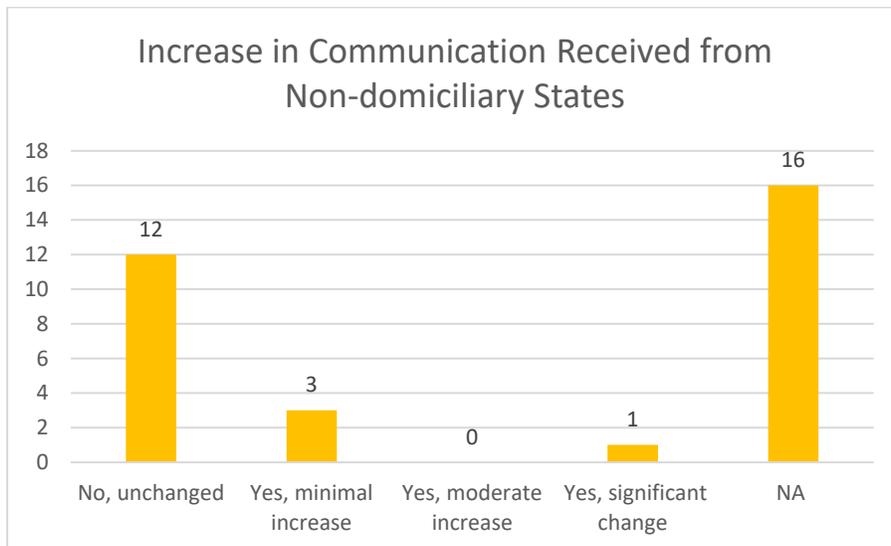
Yes	25
No	4
NA	3

*States answering “no” generally indicated the forms were complete, but lacked supporting documentation, particularly the plan of operations or feasibility study.*

7) (Non-Domiciliary Regulators) When communicating with a domiciliary regulator, did you receive timely responses and were the responses satisfactory?



8) (Domiciliary Regulators) Have you seen an increase in communication received from non-domiciliary states regarding RRGs?



*Respondents who reported communication was unchanged generally noted they already received communication and that communication continues.*

- 9) (Domiciliary Regulators) If an RRG becomes troubled or potentially troubled do you notify the states it is registered in?

Yes	12
No	0
Unsure	0
NA	20

*RRGs are subject to the same accreditation requirements as traditional insurers regarding troubled companies. This includes a requirement to notify other states of a troubled or potentially troubled company.*

- 10) (Domiciliary Regulators) If an RRG is no longer eligible to write in other states (voluntary or involuntary liquidation, regulatory action, etc.) do you notify the states it is registered in?

Yes	11
No	0
Unsure	1
NA	20

*All domiciliary RRG states noted that they do provide communication for an involuntary action, although communications are often informal. The unsure response specified a voluntary withdrawal may not prompt communication, but involuntary action will always prompt communication.*

- 11) What areas of the updated tools (NAIC's revised Uniform Risk Retention Group Registration Form, and the Best Practices and FAQ documents) do you find most beneficial in your regulatory role (what is working well)?

*There was an overall positive response to the new tools including improved communication (better understanding of non-domiciliary vs domiciliary role), comments that the new registration form is more useful, and comments about improved accessibility of the information that the new tools provide.*

- 12) What parts of the registration process for non-domestic RRGs do you feel need further clarification, improvement, expanded guidance (what is not working well)?

*Following is a summary of the suggestions regarding the registration of non-domiciliary RRGs.*

- *Consider a format for electronic signatures.*
- *Consider asking what other states the RRG is registered in and if there are any issues.*
- *Improve awareness as it seems some non-domestic states still require approval prior to conducting business similar to the UCAA application and contrary to the Liability Risk Retention Act (LRRRA).*
- *Continue improving communication, including resolving issues receiving initial capitalization information from domestic regulator.*

- *RRGs controlled by MGAs are known to be especially risky; consider additional safeguards for these types of RRGs.*
- *One challenge is that newly formed RRGs often don't have financial information available when registering (including not having an Insurer Profile Summary—IPS) and the projections or business plan often do not address all regulatory concerns in the depth an IPS would.*
- *Response times from domiciliary states should be timely.*
- *Registration forms, even if complete, can lack clarity in certain areas such as commonality of risk among members, who owns the RRG, identity of members of corporate subsidiaries or corporate entities (as members of the RRG).*

13) Do you have suggestions for the NAIC RRG Task Force to consider focusing on to keep moving forward with improvements or additional tools and resources (for example – communication considerations, common problem areas, information gaps with other states or the industry, etc.)?

*Following is a summary of suggested next steps:*

- *Increased communication via webinars, education sessions, panel discussions, etc.*
- *Increased education on LRRR – especially to non-domiciliary states.*
- *Communicate licensure stipulations and requirements of the RRG to registered states – include licensure stipulations, capital requirements, etc. on the registration form to reduce need to reach out to domiciliary state.*
- *Consider best practices to reduce differences in regulatory response when an RRG is having financial difficulty.*

14) What other topics should the NAIC RRG Task Force focus on to further improve and bring more uniformity to the licensing and registration processes, improve the ongoing regulation of RRGs, and/or further improve the understanding of RRGs?

*Responses often focused on more education, including in the area of licensing and a need to reach not only domiciliary states, but also non-domiciliary states. In addition to education, there were comments about how to provide better financial information to non-domiciliary states when registering as a new company or a company with very little history, reviewing the Model Risk Retention Act (#705) to ensure consistency with LRRR, and the ability to electronically file a registration statement with multiple states.*

15) Would individuals from your state participate if a webinar or other training is offered covering RRG registration, licensing or other RRG hot topics?



*The comments indicated some awareness of the current NAIC online RRG course, but noted they would take advantage of other training as well. One area of training that is currently lacking is training on risks specific to RRGs for both examiners and analysts responsible for domiciliary state oversight.*

16) What suggestions do you have to best disseminate information on RRG regulation to state regulators (both domiciliary and non-domiciliary)?

*The most common recommendations were:*

- *Email notifications*
- *Webinars*

*Other suggestions include:*

- *Maintain state contact list (note this is already included in the RRPB Handbook, but this recommendation demonstrates it may not be widely known)*
- *NAIC newsletter updates to regulators*
- *Ensure inclusion of product regulation staff*
- *Encourage at least one rep from each state to follow the RRGTF (or at least be on the distribution list)*
- *Education efforts should include outreach and topics specific to non-domiciliary regulators*
- *In addition to notification by the domestic state when an RRG is troubled or potentially troubled, encourage conference calls with the states where the RRG is registered*
- *Create something similar to the UCAA specific to RRG primary licensing*

17) Do you utilize the NAIC Risk Retention and Purchasing Group Handbook?

Yes	23
No	9

18) Do you have suggestions for updating and improving the NAIC Risk Retention and Purchasing Group Handbook?

*Improvement suggestions include:*

- *more guidance on RRG's ownership structures, corporate structures and the different ways an RRG can define members or structure their membership*
- *include the FAQ and Best Practices documents (or reference to these documents)*
- *discuss the impact of cyber risk on the utilization of service providers*
- *more guidance on entrepreneurial RRGs including case studies/steps to evaluate holding companies and/or influence of non-owner parties in these types of RRGs*

19) (Domiciliary Regulators) Do you utilize the UCAA for licensing new Risk Retention Groups?

Yes	8
No	6
NA	18

20) (Domiciliary Regulators) If you use a process other than UCAA for licensing new Risk Retention Groups, please check all the following elements that are part of the process to charter/license a new RRG.

Background checks and use of biographical affidavit forms	5
Use of a consulting actuary to review the plan of operation, feasibility analysis and financial projections	5
Review and evaluation of management personnel	6
Review of related parties, MGUs and service providers	6
Review of corporate documents	6
Review of corporate governance procedures and guidelines	6
Review of plan of operation, including risks to be insured, limits and maximum retained risk	6
Review of feasibility study, including financial projections	6
Require the RRG to list the states the RRG proposes to register in	6
Require the RRG to include a description of any permitted practice requests	5
Review of the reinsurance program and creditworthiness of proposed reinsurers	6
Review of the investment policy and custodial arrangement/agreement	6
Review of the capital structure, and if applicable, form of surplus note or letter of credit	6

Review of ownership (including financial information of owners/members) and form of shareholder/subscriber agreements	6
Review of rates, policy forms and underwriting guidelines, and if applicable, comparison of rates in states proposed to operate in	6
Review of risk mitigation and loss prevention measures	5
Review of prospective risks	5
Review for compliance with the Federal Liability Risk Retention Act	6
Review for compliance with holding company regulations	6
Review of marketing materials	4

*Practices appear generally consistent across all states that do not utilize the UCAA. Of the few deviations, one state indicated formal background checks are not currently required (but they would consider doing them if needed), but they do require and review biographical affidavits for all proposed directors and officers. Another deviation noted that they require a feasibility study by a credentialed actuary, but not a review.*