



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Date: 11/22/21

Virtual Meeting

NATIONAL TREATMENT AND COORDINATION (E) WORKING GROUP

Wednesday, December 1, 2021

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

ROLL CALL

Debbie Doggett, Co-Chair	Missouri	Ursula Almada	New Mexico
Linda Johnson, Co-Chair	Wyoming	Cameron Piatt	Ohio
Cindy Hathaway	Colorado	Greg Lathrop	Oregon
Kathy Belfi	Connecticut	Karen Feather	Pennsylvania
Alisa Pritchard	Delaware	Amy Garcia	Texas
Carolyn Morgan	Florida	Jay Sueoka	Utah
Stewart Guerin	Louisiana	Ron Pastuch	Washington
Kari Leonard	Montana	Amy Malm	Wisconsin

NAIC Support Staff: Jane Barr

AGENDA

1. Consider Adoption of its Sept. 29 Minutes—*Linda Johnson (WY)* Attachment 1
2. Expose Proposal 2021-07 (Company Responses)—*Alison Sterett (FL)* Attachment 2
3. Discuss Voluntary Dissolution Best Practices—*Linda Johnson (WY)* Attachment 3
4. Discuss Shell Acquisitions—*Debbie Doggett (MO)* Attachment 4
5. Discuss Any Other Matters Brought Before the Working Group—*Debbie Doggett (MO)*
6. Adjournment

W:\QA\UCAAHandbook\Conference Calls\NTCWG\2021\Dec

This page intentionally left blank.

Draft: 10/6/21

National Treatment and Coordination (E) Working Group
Virtual Meeting
September 29, 2021

The National Treatment and Coordination (E) Working Group of the Financial Condition (E) Committee met Sept. 29, 2021. The following Working Group members participated: Debbie Doggett, Co-Chair (MO); Linda Johnson, Co-Chair (WY); Joan Nakano and William Mitchell (CT); Alisa Pritchard (DE); Carolyn Morgan (FL); Stewart Guerin and Mike Boutwell (LA); Kari Leonard (MT); Cameron Piatt (OH); Karen Feather (PA); Amy Garcia (TX); Jay Sueoka (UT); Ron Pastuch (WA); and Amy Malm (WI). Also participating were: Kim Cross (IA); and Kristin Hynes (MI).

1. Discussed its 2022 Draft Charges

Ms. Doggett stated that the draft 2022 charges will be adopted by the Financial Condition (E) Committee. She asked if there were any modifications or changes. Hearing none, the charges will be adopted by the Committee.

2. Adopted Proposal 2021-06 (Request for Disclaimer)

Ms. Johnson said the request for disclaimer proposal (Form 9) was exposed for a 45-day public comment period ending Sept. 24, and no comments were received. The purpose of this proposal is to provide a uniform option for individuals requesting a disclaimer for affiliation or control of the applicant company when a biographical affidavit is required to be filed with the department of insurance (DOI).

Ms. Doggett suggested clarifying language regarding item 3, “material relationship,” by adding a parenthetical, “(including but not limited to any contracts between the person and the subject or any affiliate of the person and the subject).”

Ms. Cross asked about the intent of Form 9 and whether it is just a starting point and in no way limits the state from requesting additional information. Ms. Johnson concurred that this is just a uniform process to initiate the request and in no way precludes the state from requesting additional information.

Mr. Piatt made a motion, seconded by Mr. Pastuch, to adopt proposal 2021-06 (Attachment 1) with suggested wording as a friendly amendment with no additional exposure period. The motion passed unanimously.

Ms. Johnson noted that the proposal’s effective date will coincide with the release of the new electronic applications.

3. Received a Referral from the Financial Analysis (E) Working Group

Ms. Johnson summarized the referral; it is requesting an addition to the Form A database to inform state insurance regulators regarding when private equity firms are acquiring ownership of an insurer and to assist in maintaining a record of private equity-owned insurers. She said the referral includes specific guidance regarding the information that should be obtained.

Ms. Johnson suggested that this referral be sent to the Form A Database Ad Hoc Group as part of the rewrite project. An alternative would be to let the National Treatment and Coordination (E) Working Group discuss this first before referring it to the ad hoc group. Mr. Piatt asked if private equity is a defined term or subject to interpretation. Ms. Doggett concurred that private equity could be subject to interpretation; although, she noted that the referral includes a suggested definition of private equity as “an alternative form of private financing, typically away from public markets, in which funds and/or investors directly invest in companies or engage in buyouts of such companies. Private equity firms can typically be classified as venture capital, mezzanine, private credit, and leveraged buyout (LBO) funds, and they are generally structured as partnerships with several limited partner investors. The companies they invest in may be deemed portfolio companies, which may include insurance companies. The companies may also be held on the firm’s balance sheet as a strategic investment.” She added that this definition is what the ad hoc group should focus on. Ms. Johnson asked any DOI that has experts in private equity or investment specialists who would be interested in assisting the ad hoc group with the rewrite to contact Jane Barr (NAIC). Ms. Cross said she and Iowa’s investment specialist would be interested in assisting.

Hearing no objections, the referral will be sent to the Form A Database Ad Hoc Group for incorporation into the new electronic application.

4. Discussed Form A Guidance or an FAQ Document

Ms. Doggett said Form A guidance was discussed during a regulator-only forum call when discussing shell company acquisitions, including companies that have gone into liquidation and are sold separate from the liabilities. Since there was no interest in forming an ad hoc drafting group to develop guidance or a frequently asked questions (FAQ) document, the Working Group can continue discussion. Ms. Doggett said procedures should be developed not only with the Form A process, but also with retaining the NAIC company code, even if the name and organizational structure may change post-acquisition. She said this guidance should also include companies in liquidation and companies that may have their licenses suspended and revoked so acquiring parties know what application forms should be provided to the state for each scenario. She also said the Receivership Financial Analysis (E) Working Group should also be involved with this development or at least provide its input.

5. Discussed Non-Domiciliary State Notification of Dissolution or Mergers

Ms. Hynes summarized her email by stating that over the past few years, there have been situations that arose with the timing of notifications when a company has been dissolved are provided after the fact. A specific example is when a life company dissolved and its liabilities were transferred to a fraternal company, which raised questions about whether notifications were required, if they were sent to Michigan policyholders, and what impact that might have on guaranty fund coverage for policies originally written by a life insurance company. Ms. Hynes said a more recent example includes a situation where a licensed company was going to surrender its certificate of authority and transfer its liabilities to a company not licensed in Michigan. Michigan code is very specific regarding the transfer of liabilities. Ms. Hynes asked if there was a way to have notifications go out in advance of a dissolution to avoid last minute filings to the states where the company is licensed. Mr. Piatt said Ohio has also experienced similar situations. Ohio has a surrender process, but when the company notified the state, it was already dissolved, so it causes difficulties to have a licensed entity that does not exist.

Ms. Johnson asked if states are aware of Forms 16 and 17 on the Uniform Certificate of Authority Application (UCAA) website regarding the statement of voluntary dissolution and withdrawal, respectively. Form 16 is filed in paper with the domiciliary state tracking the state's license status in non-domestic states to help the domiciliary state determine how outstanding liabilities are handled in foreign states. Ms. Johnson asked if states are utilizing Form 16 or requiring this form. She said with the implementation of the electronic applications for domestic companies, it will be easier to track and provide notifications to the foreign states. Ms. Doggett said because this is a paper filing now, it would be an easy fix to add an additional column to identify which state received a Form 17 filing. She added that it may be an educational notice to the states that may not be aware that these forms are available to the company to use and file. Ms. Johnson asked if a state survey should be sent asking how each state handles dissolutions. Ms. Hynes said the states she has had conversations with are not on this call, so state-wide notification may be beneficial. Mr. Piatt thought maybe it is the companies that should be educated, so they know what they should file and when those filings should be submitted; it becomes an issue when fees are due to the non-domestic state, even if the company dissolved in its domiciliary state without filing in the foreign state first. He added that the domiciliary state also did not notify the foreign states of this dissolution; if the company would have filed Form 16, the domestic state would see that no notifications/filings were filed with the foreign states and there would be outstanding liabilities. Ms. Doggett agreed that it is an educational issue for both the states and industry. Ms. Johnson suggested that a state chart for dissolution requirements be added to the UCAA website. Crystal Brown (NAIC) said there is a state chart regarding Form 17 requirements for withdrawal/surrender of the certificate of authority in the foreign states. She also said she would talk with Ms. Barr about whether a survey or any additions to the existing state chart would be helpful. Ms. Johnson added that this issue can be followed up on during a call in November. Ms. Feather asked if there could be an educational course provided by the NAIC on the process for when an insurance company ends. She said she recently replaced Cressinda Bybee, who retired after 35 years of service, and would like some training on this process. Ms. Brown said the Working Group has developed two online courses, and if they want, NAIC staff can move forward with additional online courses in the future.

The next Working Group meeting is tentatively set for November.

Having no further business, the National Treatment and Coordination (E) Working Group adjourned.

W:\National Meetings\2021\Fall\Cmte\E\NTCWG\09_29_ntcwgmin.docx

UNIFORM CERTIFICATE OF AUTHORITY APPLICATION

PRIMARY APPLICATION

The Primary Application to the Uniform Certificate of Authority Application (UCAA) is designed for use in the formation of a new insurer, or for an existing insurer to use in making application to redomesticate to another state. A Uniform State is one that is committed to using the UCAA review process for company licensing and admissions.

The UCAA Primary Application has four sections designed to guide the Applicant Company through the licensing process:

- I. [Application Review Process](#)
- II. [Filing Requirements \(New Insurers and Redomestications\)](#)
- III. [Filing Requirements \(Redomestications Only\)](#)
- IV. [How to File](#)

The goal of the UCAA is to provide a streamlined approval process. However, some states have [state-specific filing requirements](#) based on statutes or internal procedures. The uniform states are working to eliminate non-essential state-specific requirements. All Applicant Companies must be familiar with the insurance laws of the state to which they submit an application. Please see the [UCAA charts](#) for information related to obtaining a copy of the laws, regulations and bulletins for the state in which an application is filed.

If the Applicant Company has any questions about the uniform admission process, a list of contact information is provided on the [Addresses and Contacts Information for Submission of Application](#) chart. It is highly recommended that the Applicant Company review the [state charts](#), the application instructions and review the [Frequently Asked Questions \(FAQs\)](#) prior to contacting each state with any questions before submitting the application for review.

Primary Application Section I Application Review Process Processing Goal: 90 Days

It is the goal of each Uniform State to process all Primary Applications within 90 calendar days with receipt of a complete application. The 90-day review process includes two weeks to determine if the application is complete and acceptable for filing. A completed application includes all required information detailed in the primary application instructions, any state specific requirements and filing fees. During the remaining time-span, the application will receive a financial and operational review. A state may not achieve the 90-day processing goal in instances where the application requires substantial follow-up, or in states with limited resources, or in instances when the Applicant Company files an application during peak business periods such as year-end and annual statement filing periods. Due to varying levels of resources available in each state the review may take longer than 90 days to complete. Anytime the state requests additional information, the state suspends the 90-day goal until it receives the requested information. **The Applicant Company has 30 days to comply with the state's request**

for additional information or the state can deem the application insufficient and close. If the Applicant Company is unable to comply with the request or provide a response within 30-days, they will need to withdrawal their application and reapply at a later time.

EXPANSION APPLICATION

The Expansion Application to the Uniform Certificate of Authority Application (UCAA) is for use by an Applicant Company that wishes to expand into one or more Uniform States. The Applicant Company may file Expansion Applications simultaneously in as many states as desired. Prior to submitting an application in a foreign state, the Applicant Company should inform the state of domicile of its plans in the foreign state(s).

Based on the circumstances of a particular application, it may be necessary for the reviewing state to request additional information.

The UCAA Expansion Application has three sections designed to guide the Applicant Company through the admission process:

- I. [Application Review Process](#)
- II. [Filing Requirements](#)
- III. [How to File](#)

The goal of the UCAA is to provide a streamlined approval process. However, some states have [state-specific filing requirements](#) based on either statutory requirements or internal procedures. All Applicant Companies must be familiar with the insurance laws of the state to which they submit an application. Please see the [UCAA home page](#) for information on obtaining a copy of the laws, regulations and bulletins for each state.

Direct any questions about the uniform admission process or [state-specific filing requirements](#) to the contact shown on the list of [Addresses and Contact Information for Submission of Applications](#). To assure a prompt review, the Applicant Company should review the instructions, [state charts](#) and [Frequently Asked Questions \(FAQs\)](#) prior to contacting each state with questions before submitting the application.

Expansion Application Section I Application Review Process

The Expansion Application is an abbreviated version of the UCAA designed to allow solidly performing companies that are in good standing in all admitted states to gain admission into new states quickly and easily. It is the goal of all Uniform States to complete their review of Expansion Applications within 60 calendar days with receipt of a complete application. The 60-day review process includes two weeks to determine if the application is complete and acceptable. A completed application includes all required information detailed in the expansion application instructions, any state specific requirements and filing fees. During the remaining time span, the application will receive a financial and operational review. The states may not achieve the 60-day processing goal in instances where substantial follow-up is required or in states with limited resources or in instances when the Applicant Company files an application during peak business periods, such as year-end and annual statement filing periods. **The**

Applicant Company has 30 days to comply with the state's request for additional information or the state can deem the application insufficient and close. If the Applicant Company is unable to comply with the request or provide a response within 30-days, they will need to withdraw their application and reapply at a later time.



CORPORATE AMENDMENTS APPLICATION

Existing insurers use the Uniform Certificate of Authority Corporate Amendment Application for requesting amendments to its Certificate of Authority. A Uniform State is one that is committed to using the Uniform Certificate of Authority (UCAA) review process for company licensing and admissions.

The Applicant Company can use the Corporate Amendment Application to file more than one change in the same submission. The Applicant Company should mark all changes on the application form and submit all items required for those changes. For electronic application submissions, refer to the [UCAA Corporate Amendment User Guide](#).

The following instructions contain a detailed explanation of the various requirements designed to assist in the preparation and submission of the necessary documentation to obtain regulatory approval. Each state's review process may follow slightly different time lines to complete a comprehensive and detailed operational and financial review of the Applicant Company's business.

Based on the circumstances of a particular application, it may be necessary for the reviewing state to request additional information. Typically, the state will request any additional information within 30 days after it accepts the application.

The goal of the UCAA is to provide a streamlined approval process. However, some states have [State-Specific Filing Requirements](#) based on either statutory requirements or internal procedures. The Applicant Company must be familiar with the insurance laws of the state(s) to which they submit an application. For information on state laws, regulations and bulletins, see the State Charts on the [UCAA website](#).

It is highly recommended that the Applicant Company review the [corporate amendment instructions](#), [FAQs](#) and [state specific information](#) prior to contacting each state with any questions before submitting the application for review.

Corporate Amendments Application Review Process

The Corporate Amendment Application of the UCAA provides a uniform process for gaining the necessary regulatory approvals for modifications to an Applicant Company's Certificate of Authority. It is the goal of each Uniform State to process all Corporate Amendments Applications within 60 calendar days of receipt. The 60-day review process includes two weeks to determine if the application is complete and acceptable for filing. During the remaining time-

span, the application will receive a financial and operational review. The state(s) may not achieve the 60-day processing goal in instances where the application requires substantial follow-up, in state(s) with limited resources or in instances when the application is filed during peak business periods such as year-end and annual statement filing periods.

Based on the circumstances of a particular application, it may be necessary for the reviewing state(s) to request additional information. Typically, the state(s) will request any additional information that it needs within 30 days after the state accepts the application. The Applicant Company has 30 days to comply with the state's request for additional information or the state can deem the application insufficient and close. If the Applicant Company is unable to comply with the request or provide a response within 30-days, they will need to withdrawal their application and reapply at a later time.

National Treatment and Coordination (E) Working Group
Company Licensing Proposal Form

<p align="right">DATE: <u>11/29/21</u></p> <p>CONTACT PERSON: <u>Jane Barr</u></p> <p>TELEPHONE: <u>816-783-8413</u></p> <p>EMAIL ADDRESS: <u>jbarr@naic.org</u></p> <p>ON BEHALF OF: <u>National Treatment & Coordination WG</u></p> <p>NAME: <u>Linda Johnson</u></p> <p>TITLE: _____</p> <p>AFFILIATION: _____</p> <p>ADDRESS: _____</p>	<p align="center"><u>FOR NAIC USE ONLY</u></p> <p>Agenda Item # <u>2021-08</u></p> <p>Year <u>2022</u></p> <p align="center"><u>DISPOSITION</u></p> <p>[] ADOPTED _____</p> <p>[] REJECTED _____</p> <p>[] DEFERRED TO _____</p> <p>[] REFERRED TO OTHER NAIC GROUP _____</p> <p>[] EXPOSED _____</p> <p>[] OTHER (SPECIFY) _____</p>
---	---

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

- [] UCAA Forms [] UCAA Instructions [] Enhancement to the Electronic Application Process
 [X] Company Licensing Best Practices HB

Forms:

- [] Form 1 – Checklist [] Form 2 - Application [] Form 3 – Lines of Business
 [] Form 6- Certificate of Compliance [] Form 7 – Certificate of Deposit [] Form 8 - Questionnaire
 [] Form 8C- Corporate Amendment Questionnaire [] Form 11-Biographical Affidavit [] Form 12-Uniform Consent to Service of Process [] Form 13- ProForma [] Form 14- Change of Address/Contact Notification
 [] Form 15 – Affidavit of Lost C of A [] Form 16 – Voluntary Dissolution [] Form 17 – Statement of Withdrawal

DESCRIPTION OF CHANGE(S)

Include guidance in the Best Practices Handbook regarding dissolution of a domestic company.

REASON OR JUSTIFICATION FOR CHANGE **

Companies and states were not aware that there was a specific form for the dissolution of a domestic company. This guidance will be provided in the Company Licensing Best Practices Handbook.

Additional Staff Comments:

** This section must be completed on all forms.

Revised 01-2019

Corporate Amendment Application - Statement of Voluntary Dissolution

Application Instruction Items	Administrative Filing	Analysis of Current Condition	Analysis of Business Plan
1. Statement of Voluntary Dissolution	E		
2. Filing Fee	E		
2. Summary of License Status in Non-Domicile States and Attachments		E	
3. State-Specific Information	E		

Item 1. Statement of Voluntary Dissolution and Attachments

- Form 16D “Statement of Voluntary Dissolution” – The coordinator should review the summary of license status for completeness and that all described documents are included in the application. This document is simply a guide. It is a reminder of what should initially be included in the application in order for it to be considered complete. This form is all-inclusive, but should be completed with due consideration to Schedule T and the license status reported in the annual statement. Items required are dependent upon the request of the applicant. If the Applicant Company cannot return its original certificate of authority, they must complete and attach an Affidavit of Lost Certificate of Authority (Form 15).

Item 2. Filing Fee

- ~~• Review check submitted in payment of fees for correct amount. In some instances the check may be held by another section of the insurance department. In that case, review the description of the check received.~~
- ~~• Forward check for deposit or provide information for proper processing of check.~~

Item 2. Summary of License Status in Non-Domicile States and Attachments

- The summary of license status must include a thorough explanation for the surrender of its certificate of authority and date of surrender.
- The Applicant Company must provide sufficient explanations for outstanding claims, contingent liabilities, or laws suits currently existing.
- The Applicant Company must also state whether any business will be transferred to another insurer and attach any reinsurance agreements.
- The Applicant Company must identify whether any regulatory deposits exist in any of the states listed in the summary section.
- The Applicant Company must provide the electronic application tracking number of the statement of withdrawal filed.

Item 3. State-Specific Information

- Some jurisdictions may have additional requirements that the Applicant Company must meet before the state can cancel a Certificate of Authority. Before completing a UCAA Corporate Amendment Application, the Applicant Company should review the listing of State-Specific Requirements for the application state.

- 1) Identify and review all relevant parties to the proposed acquisition
- 2) Determine if the NAIC company code will remain with the assets or with liquidation firm/if liabilities are reported to the NAIC annually.
- 3) Determine how acquisition will be achieved by carefully reviewing transactional documents, e.g. merger, stock purchase, stock exchange
- 4) Determine how any ancillary regulatory reviews or other interim procedural steps will be completed, including Form E-Pre-Acquisition Notification Form, for other licensed states
- 5) Determine fairness (equivalency) of total amount to be paid to total value to be received, including derivation of price and value of target under standard valuation methodologies or to book value
- 6) Determine whether target insurer meets license qualifications upon change of control
- 7) Review required statutory deposits and authorized lines of business
- 8) Determine target's estimated financial condition and stability, post-acquisition
- 9) Receive confirmation of the transaction following the closing, per your state's statutory requirement timeframe
- 10) Request written details of the final purchase price after all adjustments are complete on the transaction
- 11) Request confirmation of any capital contribution contemplated in the transaction.