NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Draft date: 6/24/24

*Virtual Meeting*

**RISK-FOCUSED SURVEILLANCE (E) WORKING GROUP**
Wednesday, July 17, 2024
11:00 a.m. – 12:00 p.m. ET / 10:00 – 11:00 a.m. CT / 9:00 – 10:00 a.m. MT / 8:00 – 9:00 a.m. PT

**ROLL CALL**

| | | | |
|---|---|---|---|
| Amy Malm, Chair | Wisconsin | Andrea Johnson/Tadd Wegner | Nebraska |
| Johanna Nickelson, Vice Chair | South Dakota | Pat Gosselin | New Hampshire |
| Sheila Travis/Blase Abreo | Alabama | John Sirovetz/Paul Lupo | New Jersey |
| Laura Clements/Michelle Lo | California | Mark McLeod | New York |
| Jack Broccoli/William Arfanis | Connecticut | Jackie Obusek/Monique Smith | North Carolina |
| Carolyn Morgan/Jane Nelson | Florida | Dwight Radel/Tracy Snow | Ohio |
| Cindy Andersen | Illinois | Eli Snowbarger | Oklahoma |
| Roy Eft | Indiana | Ryan Keeling | Oregon |
| Daniel Mathis | Iowa | Diana Sherman | Pennsylvania |
| Stewart Guerin | Louisiana | John Tudino/Ted Hurley | Rhode Island |
| Vanessa Sullivan | Maine | Amy Garcia | Texas |
| Dmitriy Valekha | Maryland | Jake Garn | Utah |
| Judy Weaver | Michigan | Dan Petterson | Vermont |
| Debbie Doggett/ Shannon Schmoeger | Missouri | Jennifer Blizzard/Greg Chew | Virginia |
| | | Tarik Subbagh/Steve Drutz | Washington |

NAIC Support Staff: Bruce Jenson/Jane Koenigsman

**AGENDA**

1. Discuss Proposed Guidance on Run-off Insurer Monitoring—*Amy Malm (WI)*
    a. FAWG Referral — Attachment A
    b. Proposed Edits to FAH — Attachment B
    c. Proposed Edits to FCEH — Attachment C

2. Discuss Any Other Matters—*Amy Malm (WI)*

3. Adjournment

© 2024 National Association of Insurance Commissioners

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

**MEMORANDUM**

TO: Amy Malm, Chair, Risk-Focused Surveillance (E) Working Group

FROM: Judy Weaver, Chair, Financial Analysis (E) Working Group

DATE: May 8, 2024

RE: Enhanced Guidance for Run-off Companies

As you may be aware, the Financial Analysis (E) Working Group (FAWG) meets annually in Kansas City to discuss, among other things, potentially troubled insurers and insurance groups. During this meeting, FAWG also discusses issues and industry trends, including identifying any that are potentially adverse or might warrant communication and coordination with other NAIC groups. As a result of the issues and trends discussed, FAWG would like to refer the following item to the attention of your group.

1. **Solvency Monitoring of Run-off Insurers** – Insurers that are no longer actively writing new business but continuing to service policies and run-off long term claim liabilities often require customized solvency monitoring procedures and considerations. While both the *Financial Analysis Handbook* and the *Financial Condition Examiners Handbook* already provide some guidance for customizing solvency monitoring procedures in this situation, FAWG discussed several additional sound practice considerations in this area at its recent meeting. As these sound practices could benefit from careful coordination across analysis and exam functions, they are being referred to the Risk-Focused Surveillance (E) Working Group for further study and development for use in both financial analysis and examination processes. Some of the sound practices identified include the following:

    a. **Run-off Plan** – Request a run-off plan from the insurer at the beginning of the run-off process to assist regulators in monitoring the progress and success of run-off operations. Ensure that the run-off plan covers size of operations during the run-off, employee retention plans, and key performance indicators and metrics for the run-off (including cashflow projections and ALM plans).

    b. **Logistics and Records** – Gain an understanding of the insurer's record-keeping processes, with special attention paid to claims records and data sources, including the ability to transfer claims data as needed in a timely manner. In addition, develop a detailed understanding of the insurer's use of service providers and third-party administrators, including plans for continuity of services as operations shrink over time.

    c. **Communications** – Identify key stakeholders in the run-off process, including other state regulators and receivership/guaranty fund contacts. Ensure that sufficient confidentiality measures are in place to govern and protect communications with other stakeholders. Develop a plan to communicate appropriate information in a timely and effective manner throughout the course of the run-off.

    d. **Legal Risk (LG) –** Legal risks have the potential to be more significant to run-off insurers given their limited ability to adjust pricing or take other actions to address legislative changes, changes in case law, or litigation activity with the ability to significantly impact loss reserves. Therefore, it



© 2024 National Association of Insurance Commissioners 

may be appropriate to require regular legal risk update reports, involve those with legal knowledge and expertise in monitoring the company, or take other actions to monitor the impact of legal risks more closely on run-off companies.

e. **Operational Risk (OP)** – There are multiple unique operational risks with the potential to impact run-off insurers, including the following:
   i. **Employee Retention** – Given the fact that employee retention may be more difficult for a run-off insurer to manage, it is important to ensure that the company maintains qualified officers with sufficient knowledge and experience throughout the course of the run-off. Therefore, it may be appropriate to closely monitor employee turnover and request additional reporting on any changes in senior officers throughout the run-off period.
   ii. **IT Systems –** It is important to assess whether IT systems are kept up to date and secure throughout the runoff, while also ensuring cost effectiveness. Therefore, regulators should continue to emphasize the IT system review as required for full-scope financial exams, and/or consider targeted exams in between full-scope financial exams when appropriate.

f. **Liquidity Risk (LQ)** – The ability to manage liquidity risk can be of heightened importance to run-off insurers given limited resources and flexibility. Therefore, regulators should closely monitor annual investment income in relation to expenses of operations, using pro forma projections, and reconciling differences. If operating expenses for a runoff insurer exceed investment income, which could be their only source of income, then resulting losses could quickly erode policyholders' surplus.

g. **Reserving Risk (RV)** – Given the materiality of loss reserves to many run-off companies, a slight variance in reserves can have a significant impact on the insurer's ability to continue as a going concern. As a result, there is increased importance placed on highly accurate reserve estimations as well as close monitoring of loss reserves. Therefore, it may be appropriate to conduct independent reserve estimations and reviews more frequently than once every five years through the examination cycle.

h. **Reinsurance Risks (ST & CR)** – Run-off insurers can benefit from carefully monitoring and applying reinsurance coverage in place to ensure that covered losses are identified and collected. In addition, reinsurance recoverable amounts and the credit risk associated with reinsurance can often be material to the solvency position of run-off insurers. Therefore, regulators should closely monitor insurer operations in this area.

Given the Risk-Focused Surveillance (E) Working Group's role in ensuring consistency between analysis and examination processes, the sound practices are being referred for its review before consideration of adoption into NAIC handbooks. If there are any questions regarding the proposed recommendations, please contact me or NAIC staff (Bruce Jenson at *bjenson@naic.org*) for clarification.

© 2024 National Association of Insurance Commissioners 

## J. Insurers in Run-Off

Run-off may be either a voluntary or state mandated course of action where the insurer ceases writing new policies on a portion of business or all business written. A company in run-off should prepare a run-off plan outlining how it will manage its resources in this stage of its operations. During run-off, the insurer typically continues collecting premiums on mandatory policies for a statutorily mandated period and to policy expiration dates. The degree and timing of the reduction in premiums should be closely monitored through the projections provided within the run-off plan. The specific content of the run-off plan may vary depending upon the line and nature of business in run-off and the financial condition of the insurer; however, at minimum, the plan should include the size of the operations during run-off, employee retention plans, and key performance indicators and metrics for the run-off (e.g., cashflow projections and Asset Liability Management plans). The run-off of claims becomes the focus of attention until the last dollar of exposure is paid. The risk exposures for insurers in run-off are likely to be different than that of an insurer writing new business; therefore, it may be necessary for an analyst to narrow the focus of the annual analysis and ongoing oversight of the insurer. Insurers that are no longer actively writing new business but continue to service policies and run-off long term claim liabilities often require customized solvency monitoring procedures and considerations. In addition to analysis outlined in the branded risk assessments, Tthe focus of the analysis of a run-off insurer may include, but not be limited to, the following:

**Run-Off Plan** (ST, OP).

- Analysts should obtain a copy of the run-off plan at the beginning of the run-off process and determine whether the plan is reasonable. The evaluation may include:
  - -Consider the overall planning process and related assumptions built into the run-off projections.
  - eEvaluate the effectiveness of the insurer's run-off plan by tracking the company's progress against its plan. and determine whether the plan is determined to be reasonable. While reviewing the plan, analysts should:
  - Consider the overall planning process and related assumptions built into the run-off projections.
  - Review the plan to ensure it covers size of operations during the run-off, employee retention plans, and key performance indicators and metrics for the run-off, including cashflow projections and Asset Liability Management plans.
  - Assess the management team and its retention of staff to determine if they possess the expertise to achieve a successful run-off.
  - Gain an understanding of the insurer's record-keeping processes, with special attention paid to claims records and data sources, including the ability to transfer claims data as needed in a timely manner.
  - Gain an understanding of the insurer's use of service providers and third-party administrators, including plans for continuity of services as operations shrink over time.
  - Analyze and document any variances in projected exposures, claims counts, and cash flow needs.
  - Consider expense reduction, reinsurance, plans for collection of outstanding premium and reinsurance recoverables, potential recovery of statutory deposits, policy buy-back, novation, and claim settlements.
  - The insurer's investment portfolio should reflect a conservative strategy to preserve invested assets to meet runoff obligations. Any aggressive strategies may require analysts to discuss the insurer's investment philosophy to ensure that the matching of assets and liabilities are maximized given available capital.

**Corporate Governance and Operations** (OP, ST)

- Employee Retention: Insurers in run-off are faced with unique challenges in maintaining effective oversight and staffing in circumstances of decreasing resources. Some areas of corporate governance that may be more critical for an insurer in run-off include employee compensation and retention, succession planning, and adequate oversight of critical functions by the Board of Directors and senior management. Evaluating the suitability of key management becomes of increased importance in an environment of high turnover and changing responsibilities. Employee retention may be more difficult for a run-off insurer to manage, it is important to ensure that the company maintains qualified officers with sufficient knowledge and experience throughout the course of the run-off.
  - Closely monitor employee turnover and request additional reporting on any changes in senior officers throughout the run-off period.

**Capital and Liquidity Management** (LQ, ST, OP).

- The ability to manage capital and liquidity risk can be of heightened importance to run-off insurers given limited resources and flexibility. An objective of an insurer in run-off is to manage its assets and liabilities and maintain sufficient cash flow to ensure claim payments are met. Ideally, the insurer will reduce liabilities over time while ensuring its balance sheet maintains liquid assets to pay claims. An insurer in run-off would generally be expected to maintain a conservative strategy in order to preserve the ability of invested assets to meet run-off obligations. An aggressive strategy may warrant additional scrutiny.
  - To assess liquidity and surplus adequacy, analysts should evaluate the insurer's liquidity ratio and surplus to asset ratio.
  - Analysts should dDocument any material fluctuations in the liquidity and surplus to asset ratio and apply stress testing to assess the capital needs of the insurer.
  - Analysts should also cConsider the allocation of long v. short tail lines of business in run-off in order to gain a sense of the length of tail in order to assess future cash flow needs.
  - Monitor investment income in relation to operating expenses, using pro forma projections and reconciling differences. If operating expenses exceed investment income, the resulting losses could quickly erode policyholder surplus and create liquidity issues.
  - Inquire of the insurer:
    - Information regarding the insurer's analysis performed to determine future cash flow needs and stress testing to assess its capital needs.
    - Request pro forma projections.

- **Loss and Loss Adjustment Expense (LAE) Reserves** (RV, ST). Loss reserves are the largest liability reported by an insurer and one of the most critical pieces of data in assessing an insurer that has entered run-off. Many run-off insurers are thinly capitalized. Given the materiality of this liability, a slight variance in reserves can have a significant impact on the insurer's ability to continue as a going concern. As a result, there is increased importance placed on highly accurate reserve estimations as well as close monitoring of loss reserves.
  - For property/casualty (P/C) insurers, much of the analytical work is done by a review of Schedule P. Loss reserve accuracy can be assessed by analyzing reserve development by line of business and accident year. In addition, it's critical to review claims counts and assess the trending and severity by reviewing this data within Schedule P.
  - Life insurers at times enter run-off, however, more frequently a block of business will enter run-off. Typically, with regard to Life run-off blocks, another life insurer will manage that run-off while managing other active blocks of business, closely monitoring asset adequacy.

- Given the importance of reserve estimations, consider conducting independent reserve estimations and reviews more frequently or calling a targeted exam before the next full scope exam would be scheduled to have the examiner conduct independent reserve estimations.

- **Legal Risk** (LG) – Legal risks have the potential to be more significant to run-off insurers given their limited ability to adjust pricing or take other actions to address legislative changes, changes in case law, or litigation activity with the ability to significantly impact loss reserves. Therefore, it may be appropriate to:
  - Require regular legal risk update reports.
  - Involve those with legal knowledge and expertise in monitoring the company.
  - Monitor the impact of legal risks more closely on run-off companies.

- **Reinsurance Risks** (ST & CR) – Run-off insurers can benefit from carefully monitoring and applying reinsurance coverage in place to ensure that covered losses are identified and collected. In addition, reinsurance recoverable amounts and the credit risk associated with reinsurance can often be material to the solvency position of run-off insurers. Therefore, regulators should closely monitor insurer operations in this area.

- **Regulatory and Stakeholder Communications -** As the run-off plan proceeds and block of business shrinks, the domiciliary regulator should establish a plan to effectively and timely communicate its analysis of the run-off insurer.

  - Identify key stakeholders in the run-off process, including other state regulators and receivership/guaranty fund contacts[1].
  - Ensure that sufficient confidentiality measures are in place to govern and protect communications with other stakeholders.
  - Develop a plan to communicate appropriate information in a timely and effective manner throughout the course of the run-off.

[1] The optional memorandum of understanding with P/C guaranty funds template is available on the NAIC website at: https://content.naic.org/sites/default/files/committee_related_documents/2022_PreLiquidation_PC_MOU.docx

## III. GENERAL EXAMINATION CONSIDERATIONS

This section covers procedures and considerations that are important when conducting financial condition examinations. The discussion here is divided as follows:

A. General Information Technology Review
B. Materiality
C. Examination Sampling
D. Business Continuity
E. Using the Work of a Specialist
F. Outsourcing of Critical Functions
G. Use of Independent Contractors on Multi-State Examinations
H. Considerations for Insurers in Run-Off
I. Considerations for Potentially Troubled Insurance Companies
J. Comments and Grievance Procedures Regarding Compliance with Examination Standards

### H. Considerations for Insurers in Run-Off

Run-off may be either a voluntary or state mandated course of action where the insurer ceases writing new policies on a portion of business or all business written. During run-off, the insurer typically continues collecting premiums on mandatory policies for a statutorily mandated period and to policy expiration dates. The degree and timing of the reduction in premiums should be closely monitored through projections, which are often provided within a run-off plan. The run off of claims becomes the focus of attention until the last dollar of exposure is paid. The risk exposures for insurers in run-off are likely to be different than that of an insurer writing new business; therefore it may be necessary for an examiner to narrow the focus of the financial condition examination and ongoing solvency oversight of the insurer. For example, when examining a company in run-off, the examiner may be able to reduce testing performed in traditional areas, such as underwriting. The focus of the examination of a run-off insurer may include, but not be limited to, the following:

Run-off Plan

A company in run-off should ~~will typically~~ prepare a run-off plan outlining how it will manage its resources in this stage of its operations. The specific content of the run-off plan may vary depending upon the line and nature of business in run-off and the financial condition of the insurer; however, at minimum, the plan should include the size of the operations during run-off, employee retention plans, and key performance indicators and metrics for the run-off (e.g., cashflow projections and ALM plans). If the company has prepared a run-off plan, the examiner should obtain, from the analyst, the plan that was received at the beginning of the run-off process (and any adjustments between its receipt and the beginning of the examination) ~~and~~ to gain an understanding of the process the company has chosen for winding down its business and the primary risks that remain. In addition, the examiner should track the company's progress against its plan to assist in evaluating the effectiveness of the run-off. If the company has entered into run-off since the prior exam, the department analyst may have already obtained the run-off plan. Therefore, the examiner should consult with the analyst prior to requesting the run-off plan from the company.

Corporate Governance

Insurers in run-off are faced with unique challenges in maintaining effective oversight and staffing in circumstances of decreasing resources. Some areas of corporate governance that may be more critical for an insurer in run-off include employee compensation and retention, succession planning, and adequate oversight of critical functions by the Board of Directors and senior management. Evaluating the suitability of key management becomes of increased importance in an environment of high turnover and changing responsibilities. As such, it may be appropriate to closely monitor employee turnover and request additional reporting on any changes in senior officers throughout the run-off period. The examiner may also consider

© 2024 National Association of Insurance Commissioners 

whether the company's decreasing resources create segregation of duties issues that limit the effectiveness of the company's internal control structure.

Capital and Liquidity Management

An objective of an insurer in run-off is to manage its assets and liabilities and maintain sufficient cash flow to ensure claim payments are met. Ideally, the insurer will reduce liabilities over time while ensuring its balance sheet maintains liquid assets to pay claims. When assessing liquidity and surplus adequacy, the examiner should evaluate the appropriateness of the insurer's investment portfolio, including proper asset/liability matching. An insurer in run-off would generally be expected to maintain a conservative strategy in order to preserve the ability of invested assets to meet run-off obligations. An aggressive strategy may warrant additional scrutiny by the examiner. The examiner may also evaluate whether the insurer has performed analyses to determine further cash flow needs and stress testing to assess its capital needs. One metric to be considered in evaluating both liquidity and capital adequacy would be to monitor investment income in relation to operating expenses, using pro forma projections and reconciling differences. If operating expenses exceed investment income, the resulting losses could quickly erode policyholder surplus and create liquidity issues. In some circumstances, the examiner may consider involving an actuarial specialist to assist in evaluating the adequacy of the insurer's capital.

Loss and Loss Adjustment Expense (LAE) Reserves

Loss reserves are the largest liability reported by an insurer and one of the most critical pieces of data in assessing an insurer that has entered run-off. Many run-off insurers are thinly capitalized. Given the materiality of this liability, a slight variance in reserves can have a significant impact on the insurer's ability to continue as a going concern. As a result, there is increased importance placed on highly accurate reserve estimations as well as close monitoring of loss reserves. Therefore, the exam team may consider suggesting, through the SRM, the analyst consider performing more frequent independent reserve estimations or calling a targeted exam before the next scheduled full scope exam. When examining an insurer in run-off, the examiner should consider focusing procedures on the company's processes for determining loss reserves, reviewing loss reserve development trends, and involving an actuarial specialist in evaluating the overall adequacy of the reserves held.

Loss reserves of run-off insurers can be significantly impacted by litigation activity, or changes in legislation or case law that impact claims liabilities. Therefore, it may be appropriate to require the insurer to provide regular legal risk update reports, involve those with legal knowledge and expertise in monitoring the company, or take other actions to monitor the legal and regulatory risks more closely on run-off companies.

Other Considerations

Given the nature of run-off insurers, there are a number of other considerations to take into account during an examination. In addition to the above areas, the exam of a run-off insurer may have greater focus on the following:

- Gaining an understanding of a run-off insurer's record keeping process, particularly in regard to claims records and data sources, including the ability to transfer claims data as needed in a timely manner. Refer to "Pre-Receivership Considerations" below and Exhibit C – Part 2 (Instruction Note 4) for further information related to the accessibility and transferability of claims data.
- Developing an understanding of the insurer's use of service providers and/or third-party administrators and continuity of service plans as the company operations shrink over time.
- Developing a plan to communicate necessary information to other key stakeholders (e.g., other state regulators and/or receivership/guaranty fund contacts, if applicable—see "Pre-Receivership Considerations" below) in a timely and effective manner throughout the course of the run-off. Ensure appropriate confidentiality measures are in place to protect these communications, such as the memorandum of understanding highlighted in the guidance below.

- Reviewing the run-off insurer's IT systems to ensure that they are kept up to date and secure, while also ensuring cost effectiveness. While the IT systems are reviewed during full-scope examinations, it may be pertinent to consider targeted exams in between full-scope exams to assess the IT systems more frequently.
- Closely monitoring the company's reinsurance operations, as reinsurance recoverable amounts and the associated credit risk can be material to a run-off insurer's solvency.

## I. Considerations for Potentially Troubled Insurance Companies

A troubled insurance company is broadly defined as an insurance company that is either in or is moving towards a financial position that subjects its policyholders, claimants and other creditors to greater-than-normal financial risk, including the possibility that the company may not maintain compliance with the applicable statutory capital and/or surplus requirements (*Troubled Insurance Company Handbook*). The "Prioritization Framework" as discussed in the NAIC's *Financial Analysis Handbook* identifies troubled companies as Priority 1.

In situations in which an examination is being planned for a troubled insurance company (i.e., Priority 1 company), the NAIC's *Accreditation Program Manual* (Part B3: Department Procedures and Oversight) indicates that "the department should generally follow and observe procedures set forth in the NAIC *Troubled Insurance Company Handbook*." However, regulators may also consider leveraging the insights in the Troubled Insurance Company Handbook for Priority 2 companies, which are defined in the *Financial Analysis Handbook* as "high-priority insurers that are not yet considered troubled but may become so if recent trends or unfavorable metrics are not addressed."

The following guidance provides an overview of key elements to consider during an examination. Additional insights to assist in enhancing a state's monitoring and surveillance of troubled insurance companies, including regulatory actions available to Departments of Insurance (DOIs), can be found in the *Troubled Insurance Company Handbook*.

Communication Expectations

If an examination is planned or ongoing for a troubled or potentially troubled company, or through the course of the examination that the domestic regulator elevates the priority level of the company to troubled or potentially troubled, it is critical that the domestic regulator communicates proactively and timely with other impacted state insurance regulators. It is also important that the non-domiciliary state communicates with the domestic regulator prior to taking any action against the insurer. This can be particularly important if the corrective action plan implemented by the domestic regulator depends on continued operations of the insurer in other states. Depending on the circumstances, it may also be appropriate to communicate certain information with other parties, such as other regulatory bodies, company management, and state guaranty funds. Establishing a coordinated communication system among the relevant parties will help facilitate the domestic regulator's surveillance of the troubled company.

The timeliness of communication with other regulators should be commensurate with the severity of the event, and it should include information about the troubled company's situation and the proposed corrective action. It may also include a request for other jurisdictions to assist in the implementation of the plan. When determining which states to notify, the department may consider those in which the company: 1) has a significant amount of written, assumed or ceded insurance business; 2) has significant market share; 3) is licensed; 4) has affiliates; 5) utilizes fronting entities; 6) has pooled companies; and 7) is seeking to write business or obtain a license. If it is reasonably anticipated that corrective plans will not prevent a finding of insolvency or insolvency is reasonably possible, advance communication to the guaranty funds is critically necessary for a successful transition to liquidation. If the guaranty funds are notified in a timely manner, they may be able to provide additional guidance and assistance in preparing the company for liquidation. The memorandum of understanding, which is maintained on the Receivership and Insolvency (E) Task Force web page, is an optional tool available to state insurance

regulators that can help facilitate this communication and information sharing, as well as transitional planning and preparation.

Pre-Receivership Considerations

Depending on the circumstances of the troubled company's situation, the department may determine that the appropriate course of action is to place the company in receivership. There are several steps that the department can take to ensure a smooth transition to receivership, should that be necessary. Having a thorough understanding of the company's rights and ownership of its assets, as well as its liabilities and obligations can help the department manage the possible transactions that could occur if the company is placed in receivership. It may also help the regulator understand if inappropriate transactions occur in anticipation of receivership, such as preferential payments to related entities and payment of management bonuses or expense reimbursements. As part of the corrective plan, the department may consider requesting the implementation of controls surrounding the troubled company's operations. For instance, it may be necessary for management to establish controls around acceptance of new business or new commitments by the company, as well as recordkeeping requirements if the insurer is involved with reinsurance.

If an examination is planned or ongoing for a troubled or potentially troubled company, the examination should increase its review of risks and controls surrounding financial reporting processes in the areas discussed above. For example, the exam may have a greater focus on the following areas:

- Gaining an understanding of the location (i.e., bank accounts, deposits, custodial accounts, letters of credit, etc.) and ownership (i.e., funds held with reinsurers, intermediaries, MGAs/TPAs, etc.) of company assets.
- Gaining an understanding of possible encumbrances on company assets that may be triggered if the financial position of the company continues to deteriorate.
- Gaining an understanding of the provisions within various agreements that the company has entered into (i.e., reinsurance agreements, agreements with service providers, investment advisors, etc.) that could be impacted by being placed into receivership.
- Reviewing transactions involving the movement of company assets.
- Identifying primary responsibility for obligations and liabilities, such as tax payments, pension plan contributions, pledges of assets, etc.
- Additional testing to ensure the completeness of policy and claims data.

If receivership or liquidation is triggered, and assets are transferred to the receiver or guaranty fund to settle obligations, it is important that the company's data be maintained in such a format to ensure that policies can continue to be maintained and claims can continue to be paid. For example, the company should have the ability to export its claims data through a defined format (Uniform Data Standards [UDS]) that would allow the data to be received and utilized by a third-party guaranty fund. Therefore, the examination may include additional procedures as part of the IT review to identify and locate data storage and processes, understand the format of the data, and ensure that proper functionality exists for timely and efficient export of policy and claims data in the event of a receivership.

© 2024 National Association of Insurance Commissioners 