

To: Justin Schrader, Chair of the Group Solvency Issues (E) Working Group
From: NAIC Staff
Date: March 24, 2018
RE: Comparison of Form F and ORSA Reporting Requirements

The following table compares the basic reporting requirements applicable to insurers and insurance holding company groups outlined in the Enterprise Risk Report (Form F) of the NAIC’s *Insurance Holding Company System Regulatory Act* (Model #440) and *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (Model #450) against those included in the ORSA Summary Report of the NAIC’s *Risk Management And Own Risk And Solvency Assessment Model Act* (Model #505) and *ORSA Guidance Manual*.

	Enterprise Risk Report (Form F)	ORSA Summary Report	Similarities/Differences	Regulator Observations
Purpose	To identify material risks within the insurance holding company system that could pose enterprise risk to the insurer.	To provide a group-level perspective on risk and capital, as a supplement to the existing legal entity view.	<p>Similarities – Both reports are intended to provide information on material risks to the group/enterprise.</p> <p>Differences – Material risk is defined differently for the two reports. ORSA also provides information on the ERM framework including governance, identification, tolerances, controls, reporting of risks and sufficiency of current and projected group capital under normal and stressed scenarios. The Form F only identifies enterprise risks.</p>	<p>In general, Form F reports do not appear to be adequately fulfilling their intended purpose of identifying material risks within the insurance holding company that could pose enterprise risk to the insurer. This is primarily due to few risks being reported and limited supporting detail being provided, even in situations where regulators are aware of significant exposures that could pose enterprise risk to the insurer.</p> <p>In general, ORSA reports appear to be developing towards fulfilling their intended purpose of providing a group-level perspective on risk and capital, as well as a description of ERM practices in place. The only clear limitation of ORSA reporting is in the level/scope of entities covered by the report.</p>

	Enterprise Risk Report (Form F)	ORSA Summary Report	Similarities/Differences	Regulator Observations
Rptg. Level	The Ultimate Controlling Person of every domestic insurer subject to registration.	The domestic insurer, but the ORSA Summary Report may apply to the insurer or the insurance group of which the insurer is a member.	<p>Similarities – Depending upon facts, circumstances and the interpretation of the group, the UCP and all its affiliates could be part of the defined insurance group. In this case, the Form F and ORSA filings would be prepared at the same reporting level.</p> <p>Differences – In many cases, the UCP and a number of its affiliates would not be part of the defined insurance group.</p>	<p>Form F reporting is generally being provided at the UCP level, albeit with limited detail on non-insurance entity exposures (as noted above).</p> <p>States have noted a wide range of practices in the level at which ORSAs are being prepared and filed, including ORSAs prepared at the UCP level that include reporting on all downstream entities. However, reports are more commonly filed at an intermediate insurance group level with limited to no discussion of exposures outside of the defined insurance group.</p>
Exempt.	No standard exemptions included in Model #440.	<p>An insurer is exempted if:</p> <ul style="list-style-type: none"> • The insurer has annual direct written and unaffiliated assumed premium but excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood Program, less than \$500,000,000; and, • The insurance group of which the insurer is a member has annual direct written and unaffiliated assumed premium including international direct and assumed premium, but excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood Program, less than \$1,000,000,000. 	<p>Similarities – Insurers and insurance groups exceeding the premium thresholds within Model #505 are also subject to Form F reporting requirements.</p> <p>Differences – The UCP of insurers and insurance groups that do not exceed the ORSA premium thresholds would only be required to submit Form F reports, which could limit regulator insight into the ERM function.</p>	None Noted

	Enterprise Risk Report (Form F)	ORSA Summary Report	Similarities/Differences	Regulator Observations
Entities Covered	<p>The ultimate controlling person of every insurer subject to registration shall file an annual enterprise risk report. The report shall identify the material risks within the insurance holding company system (any affiliate) that could pose enterprise risk to the insurer.</p> <p>Insurance holding company system is defined as two or more affiliated persons, one or more of which is an insurer.</p>	<p>Insurers not exempted from the act are required to file an ORSA Summary Report with the insurance group’s lead state on an annual basis. Alternately, the requirement may be satisfied if the insurance group of which the insurer is a member maintains a risk management framework applicable to the operations of the insurer and provides an ORSA Summary Report at that level.</p> <p>The term “insurance group” shall mean those insurers and affiliates included within an insurance holding company system as defined in the Insurance Holding Company System Regulatory Act (NAIC #440).</p>	<p>Similarities – Insurers and insurance groups (as well as their subsidiaries and affiliates) would be covered under both ORSA and Form F reporting requirements.</p> <p>Differences – The UCP (if not an insurer) and its affiliates that are not deemed to be part of an insurance group, are only required to be covered by Form F reporting. Therefore, it is possible that the ORSA Summary Report may only include information related to a subset of the insurance holding company system.</p>	<p>Similar to the discussion on reporting level provided above, Form F reporting is generally provided at the UCP level and intended to cover all downstream entities. However, in practice, states are receiving very limited (if any) information on non-insurance entity exposures within the filing.</p> <p>ORSA reporting is rarely performed at the UCP level and therefore does not typically cover non-insurance entity affiliates within the scope of reporting unless they are subsidiaries (downstream entities) of one of the insurers.</p>
Info. to be Reported	<p>The report shall, to the best of the ultimate controlling person’s knowledge and belief, identify the material risks within the insurance holding company system that could pose enterprise risk to the insurer.</p> <p>Enterprise risk is defined as any activity, circumstance, event or series of events involving one or more affiliates of an insurer that, if not remedied promptly, is likely to have a material adverse effect upon the financial condition or liquidity</p>	<p>To allow the commissioner to achieve a high level understanding of the insurer’s ORSA, the ORSA Summary Report should discuss three major areas, which will be referred to as the following sections:</p> <ul style="list-style-type: none"> • Section 1 – Description of the Insurer’s Risk Management Framework • Section 2 – Insurer’s Assessment of Risk Exposure • Section 3 – Group Assessment of Risk Capital and Prospective Solvency 	<p>Similarities – Material risks are required to be identified and discussed in both reports.</p> <p>Differences – Form F requires information on a list of specific topics that could produce enterprise risk, whereas ORSA reporting does not provide a list of topics required to be addressed (if material). However, Form F reporting is limited to activities or events that are likely to have a material adverse effect, if not remedied</p>	<p>Information reported in Form F is generally limited to brief descriptions of risk factors or exposures related to the list of specific topics included in Model #450. Often, registrants interpret the report as only requiring discussion of exposures that are currently material and unmitigated, which results in limited to no discussion of risks.</p> <p>Regulators would encourage that additional detail be provided on exposures that <u>could</u> cause enterprise risk, as well as any changes in</p>

	Enterprise Risk Report (Form F)	ORSA Summary Report	Similarities/Differences	Regulator Observations
	<p>of the insurer or its insurance holding company system as a whole.</p> <p>The Registrant/Applicant, to the best of its knowledge and belief, shall provide information regarding the following areas that could produce enterprise risk:</p> <ul style="list-style-type: none"> • Any material developments regarding strategy, internal audit findings, compliance or risk management affecting the insurance holding company system; • Acquisition or disposal of insurance entities and reallocating of existing financial or insurance entities within the insurance holding company system; • Any changes of shareholders of the insurance holding company system exceeding ten percent (10%) or more of voting securities; • Developments in various investigations, regulatory activities or litigation that may have a significant bearing or impact on the insurance holding company system; • Business plan of the insurance holding company system and summarized strategies for next 	<p>Assessment</p> <p>In order to aid the commissioner’s understanding of the information provided in the ORSA Summary Report, it should include certain key information. The ORSA Summary Report should identify the basis of accounting for the report and the date or time period that the numerical information represents. The ORSA Summary Report should also explain the scope of the ORSA conducted such that the report identifies which insurer(s) are included in the report. This may be accomplished by including an organizational chart. The ORSA Summary Report should also include a short summary of material changes to the ORSA from the prior year, including supporting rationale, as well as updates to the sections listed above, if applicable.</p> <p>In analyzing an ORSA Summary Report, the commissioner will expect that the report represents a work product of the ERM framework that include all of the material risks identified by the insurer to which an insurer or insurers (if applicable) is exposed.</p>	<p>promptly, whereas ORSA reporting does not include this limitation. This may result in certain risk exposures not being reported in Form F (due to mitigating controls in place) that would be required to be addressed in the ORSA. ORSA reporting also requires a description of the insurer’s risk management framework, and assessment of exposure to all material risks, and information on group risk capital and prospective solvency. These topics are not required to be addressed within Form F. ORSA guidance provides that reporting should quantify the identified material risks under both normal/expected and stressed scenarios as projected by the filing entity, which allows the entity and the regulator to prioritize risks and likelihoods. The Form F does not have any quantitative requirement for risks presented.</p>	<p>exposures from the prior filing. In addition, regulators noted that the information provided by non-ORSA filers could be more beneficial if it included a description of the insurer’s risk management framework, including materiality thresholds and mitigation practices utilized in identifying and addressing exposures.</p> <p>Information reported in ORSA reports generally describes the risk management framework and practices in place at the insurer, as well as the insurer’s most significant risk exposures. However, regulators note a wide range of practices in quantifying risk exposures, stressing those exposures and determining/allocating risk capital to the risks accepted by the insurer. In addition, regulators would like to see more detailed information provided on the insurer’s prospective solvency assessment.</p>

	Enterprise Risk Report (Form F)	ORSA Summary Report	Similarities/Differences	Regulator Observations
	<p>12 months;</p> <ul style="list-style-type: none"> • Identification of material concerns of the insurance holding company system raised by supervisory college, if any, in last year; • Identification of insurance holding company system capital resources and material distribution patterns; • Identification of any negative movement, or discussions with rating agencies which may have caused, or may cause, potential negative movement in the credit ratings and individual insurer financial strength ratings assessment of the insurance holding company system (including both the rating score and outlook); • Information on corporate or parental guarantees throughout the holding company and the expected source of liquidity should such guarantees be called upon; and • Identification of any material activity or development of the insurance holding company system that, in the opinion of senior management, could adversely affect the insurance holding company system. 	<p>Section 1 of the ORSA Summary Report should provide a high-level summary of the ERM framework principles, if present.</p> <p>Section 2 of the ORSA Summary Report should provide a high-level summary of the quantitative and/or qualitative assessments of risk exposure in both normal and stressed environments for each material risk category in Section 1. Examples of relevant material risk categories may include, but are not limited to, credit, market, liquidity, underwriting and operational risks.</p> <p>Section 3 of the ORSA Summary Report should describe how the insurer combines the qualitative elements of its risk management policy with the quantitative measures of risk exposure in determining the level of financial resources needed to manage its current business and over a longer term business cycle (e.g., the next one to three years). The group risk capital assessment should be performed as part of the ORSA regardless of the basis (group, legal entity or other subset basis) and in a manner that encompasses the entire insurance group.</p>		

	Enterprise Risk Report (Form F)	ORSA Summary Report	Similarities/Differences	Regulator Observations
Filing Process	The report shall be filed by the ultimate controlling person with the lead state commissioner of the insurance holding company system as determined by the procedures within the Financial Analysis Handbook adopted by the NAIC.	Upon the commissioner’s request, and no more than once each year, an insurer shall submit to the commissioner an ORSA Summary Report or any combination of reports that together contain the information described in the ORSA Guidance Manual, applicable to the insurer and/or the insurance group of which it is a member. Notwithstanding any request from the commissioner, if the insurer is a member of an insurance group, the insurer shall submit the report(s) required by this subsection if the commissioner is the lead state commissioner of the insurance group as determined by the procedures within the Financial Analysis Handbook adopted by the NAIC.	<p>Similarities – If the ORSA is prepared on a group basis, both the ORSA and Form F filing are required to be filed with the lead state commissioner.</p> <p>Differences – Although some variance is noted across states, Form F filings are generally due by specific dates, whereas ORSA Summary Reports may be filed at any time during the year. The domestic commissioner of any insurer subject to ORSA filing requirements may require a filing even if they are not the lead state of the group. Only the lead state may require a Form F filing from the UCP of an insurance group.</p>	None Noted
Confiden.	Submission is confidential by law and privileged, not subject to state public records law, not subject to subpoena, and not subject to discovery or admissible in evidence in any private civil action.	Submission is confidential by law and privileged, not subject to state public records law, not subject to subpoena, and not subject to discovery or admissible in evidence in any private civil action. ORSA Summary Reports and related information also recognized as proprietary and containing trade secrets	<p>Similarities – Strong confidentiality protections are in place for both reports.</p> <p>Differences – ORSA reports are recognized explicitly as proprietary and containing trade secrets, thereby pulling in state trade secret law as an additional protection from disclosure.</p>	Regulators note that Form F filings often fail to provide information on enterprise risk exposures beyond what is already included in a public document. However, as the Form F is subject to strong confidentiality provisions, regulators should encourage the disclosure of additional detail on risk exposures within the Form F.

	Enterprise Risk Report (Form F)	ORSA Summary Report	Similarities/Differences	Regulator Observations
Info. sharing	Form F may be shared with other state, federal and international regulatory agencies, with the NAIC and its affiliates and subsidiaries, and with state, federal, and international law enforcement authorities, including members of any supervisory college, provided that the recipient agrees in writing to maintain the confidentiality and privileged status of the document, material or other information, and has verified in writing the legal authority to maintain confidentiality. Sharing with another state insurance regulator is conditioned on the receiving state having a law substantially similar to Section 8A of Model #440.	Information may be shared with other state, federal and international financial regulatory agencies, including members of any supervisory college, with the NAIC and with any third-party consultants designated by the commissioner, provided that the recipient agrees in writing to maintain the confidentiality and privileged status of the ORSA-related documents, materials or other information and has verified in writing the legal authority to maintain confidentiality	<p>Similarities – Both reports may be shared with other regulators, the NAIC and third parties, provided that they agree to maintain the confidentiality and privileged status of such information and the sharing state has verified their legal ability to do so.</p> <p>Differences – Form F information cannot be shared with another state insurance regulator unless they’ve adopted a law substantially similar to Section 8A of Model #440. There is no authorization for sharing the ORSA Summary Report or related information with non-financial regulators or law enforcement authorities.</p>	None noted
Role of NAIC and other third parties	Authorized to share with NAIC and its affiliates and subsidiaries, but state must maintain agreement with NAIC that specifies procedures and protocols regarding the confidentiality and security of information, including procedures and protocols for sharing by the NAIC with other state, federal or international regulators; specifies that ownership of information shared remains with the commissioner and the NAIC’s use of the information is subject to the	Authorized to share with NAIC (but not its affiliates or subsidiaries) and third-party consultants, but state must maintain agreement that specifies procedures and protocols regarding the confidentiality and security of information, including procedures and protocols for sharing by the NAIC with other state regulators from states in which the insurance group has domiciled insurers; specify that ownership of information shared remains with	<p>Similarities – Form F and ORSA Information shared with the NAIC and third-parties is subject to many of the same restrictions and confidentiality protections.</p> <p>Differences – Sharing of ORSA information with third parties requires written consent from the insurer. Written consent is not required for the sharing of Form F information with third parties. The NAIC and third</p>	Although Model #505 requires consent before ORSA reports can be shared with third-party consultants, a number of states have not adopted this element of Model #505 and instead follow processes outlined in exam statutes or other department developed practices regarding the use of third-party consultants. Such practices include the completion of confidentiality agreements for contractors that are performing regulatory monitoring activities.

	Enterprise Risk Report (Form F)	ORSA Summary Report	Similarities/Differences	Regulator Observations
	<p>direction of the commissioner; requires prompt notice to be given to an insurer whose confidential information in the possession of the NAIC is subject to a request or subpoena to the NAIC for disclosure or production; and requires the NAIC and its affiliates and subsidiaries to consent to intervention by an insurer in any judicial or administrative action in which the NAIC and its affiliates and subsidiaries may be required to disclose confidential information. Third-party consultants not specifically addressed.</p>	<p>the commissioner and the NAIC's or a third-party consultant's use of the information is subject to the direction of the commissioner; prohibits the NAIC or third-party consultant from storing the information in a permanent database after the underlying analysis is completed; requires prompt notice to be given to an insurer whose confidential information in the possession of the NAIC or a third-party consultant is subject to a request or subpoena to the NAIC or a third-party consultant for disclosure or production; requires the NAIC or a third-party consultant to consent to intervention by an insurer in any judicial or administrative action in which the NAIC or a third-party consultant may be required to disclose confidential information; and in the case of an agreement involving a third-party consultant, provides for the insurer's written consent.</p>	<p>parties are barred from storing ORSA Summary Reports and related information in a permanent database.</p>	

	Enterprise Risk Report (Form F)	ORSA Summary Report	Similarities/Differences	Regulator Observations
Attest.	If the Registrant/Applicant has not disclosed any information pursuant to Item 1, the Registrant/Applicant shall include a statement affirming that, to the best of its knowledge and belief, it has not identified enterprise risk subject to disclosure pursuant to Item 1.	The report(s) shall include a signature of the insurer or insurance group’s chief risk officer or other executive having responsibility for the oversight of the insurer’s enterprise risk management process attesting to the best of his/her belief and knowledge that the insurer applies the enterprise risk management process described in the ORSA Summary Report and that a copy of the report has been provided to the insurer’s board of directors or the appropriate committee thereof.	<p>Similarities – If no risks are reported in Form F, both reports are required to include an attestation regarding the accuracy of the information presented.</p> <p>Differences – The ORSA report requires a specific attestation in every filing. Form F only requires an attestation if no risks are reported.</p>	<p>Many Form F filings are provided without an attestation, in accordance with Models \$440 and #450. However, some states have requested attestations on all Form F filings, consistent with other holding company filings (e.g. Forms B, C, etc.) and registrants have generally agreed to comply with this request. Regulators would generally prefer that all Form F filings be supported by an attestation.</p> <p>ORSA Summary Reports generally include an attestation, in accordance with Model #505 requirements.</p>