Statutory Accounting Principles (E) Working Group

**Maintenance Agenda Submission Form**

**Form A**

## **Issue: Expand MGA and TPA Disclosures**

**Check (applicable entity):**

 P/C Life Health

Modification of Existing SSAP [x]  [x]  [x]

New Issue or SSAP [ ]  [ ]  [ ]

Interpretation [ ]  [ ]  [ ]

Description of Issue:

Two states have requested that the existing annual statement disclosure regarding managing general agents or third-party administrators be expanded to include additional information.

The enhanced note would list any managing general agent (MGA) and third-party administrator (TPA) and the respective core service(s) provided to the insurer or authority granted by the insurer. Additionally, the affiliated, related party or unaffiliated relationship would be disclosed, along with whether the entity is independently audited and/or bonded. The disclosure is specific to legal names for TPAs and MGAs to ensure consistency in reporting and allow for aggregation assessment.

State insurance regulators and policyholders should be able to fully understand the level and extent core services and binding authority are provided by TPAs and MGAs. The state sponsors have advocated that this understanding would also help in the assessment of the Enterprise Risk Management (ERM) framework, Own Risk Solvency Assessment (ORSA) report, market analysis reviews, operational risks, group analysis, and recovery and resolution considerations.

Existing Authoritative Literature:

All of the following statements contain the same disclosure regarding managing general agents or third-party administrators.

* *SSAP No. 51R—Life Contracts*, paragraph 50;
* *SSAP No. 53—Property Casualty Contracts—Premiums*, paragraph 19;
* *SSAP No. 54R—Individual and Group Accident and Health Contracts*, paragraph 33 and
* *SSAP No. 59—Credit Life and Accident and Health Insurance Contracts,* paragraph 19

The disclosure in each of these paragraphs is as follows:

Disclose the aggregate amount of direct premiums written through managing general agents or third party administrators. For purposes of this disclosure, a managing general agent means the same as in Appendix A-225. If this amount is equal to or greater than 5% of surplus, provide the following information for each managing general agent and third party administrator:

a. Name and address of managing general agent or third party administrator;

b. Federal Employer Identification Number;

c. Whether such person holds an exclusive contract;

d. Types of business written;

e. Type of authority granted (i.e., underwriting, claims payment, etc.);

f Total premium written.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

**Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:**

None

**Convergence with International Financial Reporting Standards (IFRS):**None

Sponsors:

Trey Hancock - Tennessee Department of Commerce and Insurance

Debbie Doggett - Missouri Department of Commerce and Insurance

Staff Review Completed by:

Robin Marcotte - NAIC Staff, November 2019

Staff Recommendation:

NAIC Staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose revisions to the following statements to expand the MGA/TPA note (as the wording is the same in each paragraph, for brevity, it will be only illustrated once.)

1. *SSAP No. 51R—Life Contracts*, paragraph 50;
2. *SSAP No. 53—Property Casualty Contracts—Premiums*, paragraph 19;
3. *SSAP No. 54R—Individual and Group Accident and Health Contracts*, paragraph 33 and
4. *SSAP No. 59—Credit Life and Accident and Health Insurance Contracts,* paragraph 19.
5. *Annual Statement illustration updates*
6. The disclosures in this paragraph should be completed regarding the following regarding managing general agents (MGAs) or third-party administrators (TPAs) that write direct policies or provide claims adjusting or other services. For purposes of this disclosure, a managing general agent means the same as in Appendix A-225. If the premium written amount is equal to or greater than 5% of surplus, or if the claims adjusting services are greater than 5% of annual average claims volume provide the following information for each managing general agent and third-party administrator: Disclose the aggregate amount of direct premiums written through the MGA or TPA and the total premium written by those MGAs or TPAs.
7. Disclose the aggregate amount of claims payments processed by agent or administrator and the total claims processed by such agents or administrators.
8. Licensed name and address (city and state only) of managing general agent or third-party administrator;
9. Federal Employer Identification Number;
10. Whether such person holds an exclusive contract;
11. Types of business written;
12. Type of authority granted and or services provided (i.e., underwriting, claims payment, etc.);
13. Whether the MGA or TPA is affiliated, a non-affiliate related party or unaffiliated. and
14. Whether the MGA or TPA is independently audited, and/or bonded.

The following is an illustration of the draft revisions to the current annual statement note tables are proposed for annual statement Note 19 to allow for data capture of the MGA and TPA disclosure which would be forwarded to the Blanks (E) Working Group

Managing general agents (MGA) and third-party administrators (TPA) who either write more than 5% of premium or process greater than 5% of claims.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Licensed Name | Address (City and State Only) of Managing General Agent or Third-Party Administration | FEIN Number | Exclusive Contract(Yes/No) | Type of Business Written | Type of Authority and/or Service Granted *(Multiple Codes Allowed)* | Independently Audited  (Yes/No) | Bonded Status(Yes/No) |  |
| XYZ |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

**Information regarding Independent Audit, Bonded, status:**

Independent Audit - subject to annual independent audit

Bonded – The work of the entity is bonded by either a fiduciary or surety bond

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Licensed Name | FEIN Number | Affiliated, Non-Affiliate Related Party, or Unaffiliated | Direct Written Premium/ Produced  | Claims Payments Processed by Agent or Administrator |
| **XYZ** |  |  | **$** | **$** |
| **Total** |  |  |  |  |

Codes for types of MGA/TPA Services and/or Authority:

Authority/Service Codes Sample Listing:

C Claims Payment

CA Claims Adjustment

R Reinsurance Ceding

B Binding Authority

P Premium Collection

U Underwriting

O Other (Write-in) If other explain in the table below

|  |  |
| --- | --- |
| Licensed Name |  Explanation of other codes regarding type of authority granted  |
| XYZ |  |
|  |  |

**Status:**

On December 7, 2019, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 51R—Life Contracts*, paragraph 50, *SSAP No. 53—Property Casualty Contracts—Premiums*, paragraph 19, *SSAP No. 54R—Individual and Group Accident and Health Contracts*, paragraph 33 and *SSAP No. 59—Credit Life and Accident and Health Insurance Contracts,* paragraph 19, as illustrated in the staff recommendation above, to expand the MGA/TPA note as follows:

* Aggregate direct written premium and total premium written by MGA/TPA;
* Aggregate dollar amount of claims process / total claims processed by MGA/TPA; and
* Information on related party / affiliate status and if the MGA/TPA is independently audited and / or bonded.

**For 2020 Spring National Meeting Discussion**

**NAIC staff recommends that the Working Group adopt the exposed revisions with the modifications illustrated below. In addition, the Working Group should direct that the modification to the annual statement illustration be forwarded to the Blanks (E) Working Group to coordinate on its concurrent exposure. The additional revisions are drafted to address interested parties’ comments as follows:**

1. Consistent with interested parties’ recommendation, TPA has been defined to be consistent with the NAIC Model Guideline, VI-1090 Registration and Regulation of Third-Party Administrators (TPAs).
2. The sponsors of the agenda item indicated that they preferred to maintain a claims measure for determining which TPAs to be disclosed, instead of a written premium measure suggested by interested parties. However, to address the interested parties’ operational concerns the language has been revised from “claims adjusting services are greater than 5% of annual average claims volume” to “if the total count of claims processed by the TPA /MGA are greater than 5% of the total count of claims processed.”

Revisions for:

1. *SSAP No. 51R—Life Contracts*, paragraph 50;
2. *SSAP No. 53—Property Casualty Contracts—Premiums*, paragraph 19;
3. *SSAP No. 54R—Individual and Group Accident and Health Contracts*, paragraph 33 and
4. *SSAP No. 59—Credit Life and Accident and Health Insurance Contracts,* paragraph 19.
5. The disclosures in this paragraph should be completed regarding the following regarding managing general agents (MGAs) or third-party administrators (TPAs) that write direct policies or provide claims adjusting or other services. For purposes of this disclosure, a managing general agent means the same as in Appendix A-225. For purposes of this disclosure a third-party administrator is consistent with NAIC Model Guideline, VI-1090Registration and Regulation of Third-Party Administrators (TPAs). If the premium written amount is equal to or greater than 5% of surplus or if the total count of claims processed by the TPA or MGA are greater than 5% of the total count of claims processed, provide the following information for each managing general agent and third-party administrator: Disclose the aggregate amount of direct premiums written through the MGA or TPA and the total premium written by those MGAs or TPAs.
6. Disclose the aggregate amount of claims payments processed by agent or administrator and the total claims processed by such agents or administrators.
7. Licensed name and address (city and state only) of managing general agent or third-party administrator;
8. Federal Employer Identification Number;
9. Whether such person holds an exclusive contract;
10. Types of business written;
11. Type of authority granted and or services provided (i.e., underwriting, claims payment, etc.);
12. Whether the MGA or TPA is affiliated, a non-affiliate related party or unaffiliated. and
13. Whether the MGA or TPA is independently audited, and/or bonded.

 *Annual Statement illustration updates*

The following is an illustration of the draft revisions to the current annual statement note tables are proposed for annual statement Note 19 to allow for data capture of the MGA and TPA disclosure which would be forwarded to the Blanks (E) Working Group

Managing general agents (MGA) and third-party administrators (TPA) who either whose premium written amount is equal to or greater than 5% of surplus or if the total count of claims processed by the TPA / MGA are greater than 5% of the total count of claims processed.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Licensed Name | Address (City and State Only) of Managing General Agent or Third-Party Administration | FEIN Number | Exclusive Contract(Yes/No) | Type of Business Written | Type of Authority and/or Service Granted *(Multiple Codes Allowed)* | Independently Audited  (Yes/No) | Bonded Status(Yes/No) |  |
| XYZ |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
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**Information regarding Independent Audit, Bonded, status**

Independent Audit - subject to annual independent audit

Bonded – The work of the entity is bonded by either a fiduciary or surety bond

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Licensed Name | FEIN Number | Affiliated, Non-Affiliate Related Party, or Unaffiliated | Direct Premium/ Written Produced  | Claims Payments Processed by Agent or Administrator |
| **XYZ** |  |  | **$** | **$** |
| **Total** |  |  |  |  |

Codes for types of MGA/TPA Services and/or Authority:

Authority/Service Codes Sample Listing:

C Claims Payment

CA Claims Adjustment

R Reinsurance Ceding

B Binding Authority

P Premium Collection

U Underwriting

O Other (Write-in) If other explain in the table below

|  |  |
| --- | --- |
| Licensed Name |  Explanation of other codes regarding type of authority granted  |
| XYZ |  |
|  |  |
|  |  |

On March 18, 2020, the Statutory Accounting Principles (E) Working Group exposed revisions to the following statements to expand the MGA/TPA note (as the wording is the same in each paragraph, for brevity, it will be only illustrated once), as illustrated below, with industry and sponsor proposed modifications shaded in gray. This item has a shortened comment period deadline ending May 1, 2020.

1. *SSAP No. 51R—Life Contracts*, paragraph 50;
2. *SSAP No. 53—Property Casualty Contracts—Premiums*, paragraph 19;
3. *SSAP No. 54R—Individual and Group Accident and Health Contracts*, paragraph 33 and
4. *SSAP No. 59—Credit Life and Accident and Health Insurance Contracts,* paragraph 19.
5. *Annual Statement illustration updates*

The disclosures in this paragraph should be completed regarding the following regarding managing general agents (MGAs) or third-party administrators (TPAs) that write direct policies or provide claims adjusting or other services. For purposes of this disclosure, a managing general agent means the same as in Appendix A-225. For purposes of this disclosure a third-party administrator is consistent with NAIC Model Guideline, VI-1090Registration and Regulation of Third-Party Administrators (TPAs). If the premium written amount is equal to or greater than 5% of surplus or if the total count of claims processed by the TPA or MGA are greater than 5% of the total count of claims processed, provide the following information for each managing general agent and third-party administrator:

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