

III.A.3. Risk Assessment (All Statement Types) – Quarterly Quantitative Assessment of Non-Troubled Insurers

Quantitative Risk Assessment

A. Non-troubled insurers will receive the following automated review each quarter. Troubled insurers will receive a full risk assessment analysis each quarter.

Each quarter, non-troubled insurers should be assessed based on the results of the following automated system. Based on the results of the automated system, you may need to proceed with a full risk assessment analysis. **Also consider any other information that may not be reflected in the quarterly statement but may be known or noted in the analysis file or Insurer Profile Summary (IPS), which could impact the company on a prospective basis prior to relying solely on an automated review.**

B. If any of the following criteria is met, the insurer may be assigned a full quarterly risk assessment analysis:

1. The insurer is a troubled insurer
2. Prior year risk-based capital (RBC) is less than 250% (*excluding title insurers*) (ST)
3. Prior year triggered the RBC Trend Test (*excluding title insurers*) (ST)
4. Scoring System result greater than or equal to (*excluding title insurers*):
 - 450 for property/casualty (P/C) insurers
 - ~~350-250~~ for life ~~or fraternal~~ insurers
 - ~~300-200~~ for accidental and health (A&H) insurers
 - 325 for health entities

C. Based on the results of the automated system calculations, a full quarterly risk assessment analysis may be completed if the insurer has the following number of “yes” responses from the automated calculations:

1. Four or more for P/C insurers, title insurers and health entities or
2. Three or more for life/A&H/fraternal insurers

Special Notes: Any automated results in D where the denominator is 0 return a “yes” response.

A default “no” response will be returned for insurers with no net retention for automated results #8 and #9.

For companies that have not filed a prior year-end or quarterly statement (e.g., either a new start-up insurer or exempt from filing), all responses in section D will default to a “yes.” In this scenario, it is recommended the analyst perform a full quarterly risk assessment analysis.

D. Automated system calculations:

1. Are unassigned funds negative? (ST)
2. Has surplus/capital and surplus (based on business type) increased \geq 12.5% (for first quarter), 25% (for second quarter), or 37.5% (for third quarter)? (ST)
3. Has surplus/capital and surplus (based on business type) decreased \geq 5% (for first quarter), 10% (for second quarter), or 15% (for third quarter)? (ST)
4. Has any individual asset category that is greater than 5% of surplus/capital and surplus (based on business type) changed by more than +/- 10% from the prior year-end? (CR, MK, LQ)

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