TO: Financial Regulation Standards and Accreditation (F) Committee
FROM: NAIC Staff
DATE: July 10, 2019
RE: Company Licensing Accreditation Standards – Self-Evaluation Guide

At the Spring National Meeting, the Financial Regulation Standards and Accreditation (F) Committee exposed revisions to the Part D: Organization, Licensing and Change of Control of Domestic Insurers standards and Review Team Guidelines. The National Treatment and Coordination (E) Working Group’s recommended revisions include: 1) updating the Guidelines to reflect current practices; 2) expanding the scope to include redomestications; and 3) including Part D in the review team’s recommendation with the result that the outcome can affect a state’s accredited status. The Working Group recommended that the revisions be adopted with an effective date of Jan. 1, 2020; however, the recommended effective date for subjecting Part D to Recommendation A or B, and thus impacting a state’s accredited status, is Jan. 1, 2022.

The proposed revisions to the Part D standards and Guidelines will require the Self-Evaluation Guide (SEG) to be updated. The SEG facilitates the state’s reporting of compliance with the Guidelines; therefore, any change to the Guidelines must be accounted for in the SEG.

In addition, as a result of these revisions, the Accreditation Program Manual’s references to Part D will need to be updated. NAIC staff will ensure that these non-substantive changes will be made accordingly.

The proposed SEG revisions for Part D to ensure consistency with the Guidelines are attached.
PART D: ORGANIZATION, PRIMARY LICENSING, REDOMESTICATION AND CHANGE OF CONTROL OF DOMESTIC INSURERS

a) Sufficient Qualified Staff and Resources

The department should have the appropriate staff and resources to effectively and timely review applications for primary licensure of new companies and redomestications and Form A filings for all domestic insurers.

YES NO

1. Does the department staff have the capacity to effectively review applications for primary licensure of new companies, redomestications, and Form A filings in a timely manner?

2. Does the department have established minimum educational and experience requirements for staff positions in the company licensing area which are commensurate with the duties and responsibilities of the position?

3. As a separate attachment, provide a current year list of staff responsible for analyzing company applications. With that list, please include the following:
   - Name,
   - Title,
   - Years employed by the department (include functional area),
   - Type of college degree, including major areas of concentration,
   - Prior regulatory or insurance experience, and
   - Indicate whether the individual is a department employee (full/part time) or a contractual employee (exclusive to the department/not exclusive to the department).

4. As a separate attachment, provide a listing of any L/H and P/C primary licensure applications and any multi-state L/H and P/C Form A filings (whether approved or denied) received since the department’s last full review. Also include any multi-state L/H and P/C primary redomestication applications received Jan. 1, 2020 and after. With that list, please include the following:
   - Name of person responsible for reviewing the filing,
   - Type of filing,
   - Date the filing was received,
   - Date the filing was reviewed for completeness,
   - Date(s) the department contacted the company for additional or supplementary information (if applicable), and
   - Whether the filing review was completed timely per department procedures, and
   - If the review was not completed timely, provide the reason.
Primary Licensing, Redomestications and Change of Control – continued

5. If the department has developed timing requirements that differ from the
   NAIC Company Licensing Best Practices Handbook, please attach a copy of
   the timing requirements policy, be sure to include timing expectations for
   initial review from date of receipt, notification to the insurer, and completion
   of the review.

6. If there are extenuating circumstances and the required timing guidelines
   cannot be met for a particular application, are such circumstances clearly
   documented in the application file?

7. Do the department’s statutes or regulations specify timing requirements for
   the completion of primary licensure applications?

8. If the answer to #7 above is yes, please attach a copy of the department’s
   authority discussing such requirement.
   *If this is an interim annual review, only provide the department’s
   timing requirements if there has been a change from the previous
   submission of this information, otherwise indicate “no changes”.

9. If the answer to #7 above is no, does the department follow the timing
   requirements set forth in the Review Team Guidelines, which state the review
   should be completed within 90 calendar days of receipt (barring exceptions
   for when information is requested).
Primary Licensing, Redomestications and Change of Control – continued

b) Scope and Performance of Procedures for Primary Applications

The department should have documented licensing procedures to provide for consistency in the review process and to ensure that appropriate procedures are being performed on all primary applications. The use of the NAIC Company Licensing Best Practices Handbook is considered acceptable.

1. Does the department have documented licensing procedures that require a review and/or analysis of the following:

   YES  NO

   A review and analysis of:
   - Identification and evaluation of the business and strategic plans of the applicant, including pro forma financial projections?
   - Adequacy of pro forma financial projections?
   - Biographical Affidavits?
   - Adequacy of proposed reinsurance program?
   - Adequacy of investment policy?
   - Adequacy of short-term and long-term financing agreements:
     - Initial financing of proposed operations or transaction?
     - Maintenance of adequate capital and surplus levels?

   An assessment of the quality and expertise of:
   - The ultimate controlling person?, proposed officers and directors, appointed actuary and appointed accountant, including use of the NAIC Form A and SAD-Market Action Tracking System (MATS) databases for related information about the primary applicant and other key persons?
   - Proposed officers and directors?
   - Appointed actuary?
   - Appointed accountant?
   - Related party agreements’ compliance with SSAP No. 25?

2. Do department procedures require a review of the Form A and Market Action Tracking System (MATS) databases for related information about the primary applicant and other key persons?

   Commented [MB1]: It was brought to our attention during the exposure period that this language is duplicative of #2. We therefore recommend removing it from this bullet.

2.3. In a separate attachment, provide procedures and discuss any additional processes developed to review/analyze a primary licensure application.

   *If this is an interim annual review, only provide the department’s procedures for reviewing primary applications if there has been a substantial change from the previous submission of this information, otherwise indicate “no changes”.

   Attachment Two
24. Do the department’s files contain evidence, including whether the applicant meets licensure requirements (i.e. approve or deny), and adequately demonstrate licensing procedures for primary applications were followed?

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<th>YES</th>
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Primary Licensing, Redomestications and Change of Control – continued

c) **Scope and Performance of Procedures for Redomestication**

The department should have documented procedures for the review of redomestication applications to provide for consistency in the review process and to ensure that appropriate procedures are performed for all redomestications. The use of the NAIC Company Licensing Best Practices Handbook is considered acceptable.

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<th>YES</th>
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1. **Does the department have documented procedures for the review of redomestication applications that require the following:**

   **A review and analysis of:**
   - Business and strategic plans?
   - Actuarial opinion?
   - Annual and quarterly statements?
   - Risk-based capital (RBC) report?
   - Independent CPA audit report?
   - Insurance Holding Company System Annual Registration Statement and Exhibits (Form B)?

   **An assessment of:**
   - Senior management?
   - Board of directors?
   - Corporate governance?

2. **Do department procedures require, at a minimum, a conference call with the domestic regulator to obtain, discuss and conclude on the following:**

   - Most recent IPS and supervisory plan, including supporting analysis detail for significant risks?
   - Reason for redomestication?
   - Concerns identified with the insurer/group?
   - History of communication with the insurer/group?
   - History of regulatory actions?
   - Results of recent examinations (financial and market conduct), including findings and resolutions?
   - Status of and responsibilities for annual financial analysis and group analysis, if applicable?
   - Status of and responsibilities for the financial examinations?

3. **Do department procedures require upon receipt of a primary application for redomestication that notification be sent to the lead state of the insurance holding company group and a copy of the most recent GPS be obtained, if applicable?**
4. In a separate attachment, provide procedures and discuss any additional processes developed to review/analyze a redomestication application.
### d) Scope and Performance of Procedures for Form A Filings

The department should have documented procedures for the review of Form A filings to provide for consistency in the review process and to ensure that appropriate procedures are being performed on all Form A filing reviews. The use of the NAIC Company Licensing Best Practices Handbook is considered acceptable.

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1. Does the department have documented procedures for the review of Form A filings that include at least the following:

- Business and strategic plans of the insurer?
- Identity and background of the applicant and individuals associated with the applicant, including use of biographical affidavits to assess the quality and expertise of the following:
  - Ultimate controlling person?
  - Proposed officers and directors (as listed on the Jurat page of the most recent or upcoming financial statement)?
  - Other owners of 10% or more of voting securities?
- The source, nature and amount of the consideration used or to be used in effecting the merger or other acquisition of control?
- Fully audited financial information regarding the earnings and financial condition of the ultimate controlling person(s) for the preceding five years? (If fully audited financial information is not available, substantially similar information such as compiled financial statements or tax returns, as deemed acceptable to the commissioner, may be reviewed in lieu of fully audited financial information.)
- Unaudited financial information regarding the earnings and financial condition of the ultimate controlling person(s) as of a date not earlier than 90 days prior to the filing of the Form A?

2. In a separate attachment, provide such procedures and discuss any additional processes developed for the review of Form A filings.

*If this is an interim annual review, only provide the department’s procedures for reviewing Form A filings if there has been a substantial change from the previous submission of this information, otherwise indicate “no changes”.

3. Is it the department’s policy to utilize the Form A database to obtain information on prior filings made by an applicant and the ultimate outcome of such filings to inform other states of the receipt and status of Form A filings?

4. If the answer to #3 above is yes, do the department’s procedures for such utilization of the Form A database include the following:

- Review the Form A database for any prior filings made by the Form A applicant and the ultimate outcome of such filing(s)?
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<tr>
<th><strong>Primary Licensing, Redomestications and Change of Control – continued</strong></th>
<th>YES</th>
<th>NO</th>
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<tbody>
<tr>
<td>• Pertinent and relevant information from the Form A filing should be manually entered into the Form A database within 10 business days of receipt of the Form A?</td>
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<td>• Any changes to the status of a filing or other data elements should be entered into the Form A database within 10 business days?</td>
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<td>• Updating the Form A database when a filing stalls, at a minimum of once every six months to confirm the status of the filing and document the reason the filing has stalled?</td>
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5. If the answer to #3 above is no, please provide the department’s policy and procedures on utilizing the Form A Database or any other independently developed procedures followed to obtain information on an applicant’s filings and to inform other states of the receipt and status of Form A filings in a timely manner.

*If this is an interim annual review, only provide the department’s policy and/or procedures if there has been a substantial change from the previous submission of this information, otherwise indicate “no changes.”

6. Do the department’s files contain evidence of conclusions regarding whether the Form A filing was approved or denied, and sufficient documentation that its procedures for Form A filings were adequately performed? | | |