



MEMORANDUM

TO: Financial Regulation Standards and Accreditation (F) Committee
FROM: Risk Retention Group (E) Task Force
DATE: August 3, 2019
RE: Part B1: Analysis Guidelines for Risk Retention Groups

The accreditation Review Team Guidelines include a guideline specifically related to risk retention groups (RRGs) within the financial analysis section (Part B1). This guideline was originally drafted by the Risk Retention Group (E) Task Force and adopted by the Financial Regulation Standards and Accreditation (F) Committee. It is the intention of the Task Force that this guideline is applied to all RRGs regardless of accounting treatment (GAAP/SAP) or organizational structure (captive/traditional laws).

In 2017, a number of revisions were made to the accreditation guidelines to incorporate risk-focused analysis. In conjunction with those revisions, a reference to the “Captives and/or Insurers Filing on a U.S. GAAP Basis Worksheet” in the NAIC *Financial Analysis Handbook* was added to the analysis guideline specific to RRGs. This worksheet can be a helpful tool, however, it applies only to GAAP filers with an emphasis on a review of accounting differences. Adding this reference implies the accreditation guideline is only applicable to GAAP filers, which is inconsistent with the Task Force’s position that the guideline applies to all RRGs.

The Task Force therefore asks the Committee to consider the following revision to B1(e), process-oriented guideline #8 to return to the language used prior to 2017 and clarify the guideline applies to all RRGs.

If the company is a risk retention group (RRG), the following procedures should be performed and documented within the analysis file, as applicable ~~(refer to the Analysis Handbook, Captives and/or Insurers Filing on a U.S. GAAP Basis Worksheet):~~

- Annual review of the ~~business plan~~ plan of operation to ensure that it is unchanged from the prior year.
- Ensure that all changes in the plan of operations have been approved.
- Review of the Note 1 reconciliation to ensure that it appears accurate and can be relied upon by others.
- Review of the General Interrogatory, Part 2 question 13.1 and ensure that the amount agrees with the approved plan of operations.
- Ensure that the financial projections on file accurately reflect the operations as presently conducted.
- Ensure that the “Notes” relating to the operation of the company agree with the approved plan of operation.

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