



National Association of Insurance Commissioners

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# **NAIC ENTERPRISE RISK REPORT (FORM F) IMPLEMENTATION GUIDE**

**Maintained by the  
Group Solvency Issues (E) Working Group  
of the Financial Condition (E) Committee**

As of March 24, 2018

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## **I. INTRODUCTION**

The requirements within the *Insurance Holding Company System Model Act* (#440) and supporting *Insurance Holding Company System Model Regulation* (#450) related to the annual filing of an Enterprise Risk Report (Form F) became effective for NAIC accreditation purposes on January 1, 2016. Therefore, NAIC accredited lead states are now receiving and reviewing Form F filings on an annual basis. The purpose of this Implementation Guide is to assist insurers and regulators in maximizing the usefulness of the Form F by proposing best practices for consideration in preparing and reviewing Form F filings.

### **A. General Guidance**

As discussed above, the authority to require annual submission of a Form F filing is provided through each jurisdiction's adoption of Model #440, which states:

The ultimate controlling person of every insurer subject to registration shall also file an annual enterprise risk report. 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. The report shall be filed with the lead state commissioner of the insurance holding company system as determined by the procedures within the Financial Analysis Handbook adopted by the National Association of Insurance Commissioners.

The purpose of the Form F filing is to report on material risks within the insurance holding company system that could pose enterprise risk to the insurer. Given the importance of assessing enterprise risk for all insurers that are part of insurance holding company systems, Model #440 contains no blanket exemptions or waivers for company size or structure. Therefore, insurance holding company systems are expected to provide a Form F filing to the appropriate regulator on an annual basis, unless granted an individual exemption from the reporting provisions in accordance with Section 4J of Model #440. Situations where it might be appropriate to request an exemption could include the following:

- An ORSA Summary Report has been filed with the commissioner at the ultimate controlling person (UCP) level and addresses all enterprise risk exposures that would be disclosed in a Form F filing.
- Based on the very limited size, structure and nature of an insurance holding company system, the Form F filing would not provide additional valuable information to the commissioner.

Model #440 provides definitions for "insurance holding company system," "affiliate" and "control" that assist insurers and regulators in determining what entity or individual should be considered the ultimate controlling person (UCP) of each insurance holding company system (registrant), for purposes of completing the Form F filing, as shown below:

**Insurance Holding Company System** – An "insurance holding company system" consists of two (2) or more affiliated persons, one or more of which is an insurer.

**Affiliate** – An "affiliate" of, or person "affiliated" with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

**Control** – The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or nonmanagement services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly,

owns, controls, holds with the power to vote, or holds proxies representing, ten percent (10%) or more of the voting securities of any other person. This presumption may be rebutted by a showing made in the manner provided by Section 4K that control does not exist in fact. The commissioner may determine, after furnishing all persons in interest notice and opportunity to be heard and making specific findings of fact to support the determination, that control exists in fact, notwithstanding the absence of a presumption to that effect.

Based on these definitions, the insurance holding company system includes all affiliated persons or entities that are under common control with an insurer, including non-insurance entities. The application of these definitions is significant in identifying the scope of the insurance holding company system and determining the UCP as it sets the level at which the Form F should be prepared and submitted. The Form F filing is an enterprise-based submission covering the insurance holding company system. Therefore, lead states should work closely with their registrants and other impacted states to ensure that the full insurance holding company system and the appropriate UCP has been identified for purposes of the filing.

In situations where the UCP is an individual or a holding company with limited resources for use in compiling and preparing a Form F filing, regulatory practice might allow the UCP to designate a downstream entity to prepare and submit the filing. However, in this situation, the filing should still cover enterprise risk exposures associated with the full insurance holding company system, from the UCP on down.

The Form F is required to be filed with the lead state of the insurance holding company system on an annual basis. The lead state for each insurance holding company system is determined based on criteria outlined in the NAIC's *Financial Analysis Handbook*. For more information on the criteria, as well as a listing of current lead states for each insurance holding company system, see the public lead state report on the NAIC's website at the following link:

[http://www.naic.org/public\\_lead\\_state\\_report.htm](http://www.naic.org/public_lead_state_report.htm)

The due date for the annual Form F filings is set by each lead state, with dates ranging from March 1 to Sept. 15 depending upon the state. See Appendix A for a full listing of due dates in each state. In preparing the report, the Form F requires registrants to list each insurance company covered under the filing on the face of the Form F. In addition, the Form F also requires registrants to identify a knowledgeable individual as the primary correspondent for any follow-up questions or inquiries from regulators. As the filing is required at the UCP level, the registrant is encouraged to list an individual with knowledge of the full insurance holding company system's risk exposures as the primary correspondent. In the case of a large or complex insurance holding company system, it may be appropriate to list multiple correspondents and outline each individual's responsibilities for follow-up purposes.

## **B. Procedures for Adopting Changes to the Implementation Guide**

The Implementation Guide was developed by the Group Solvency Issues (E) Working Group of the Financial Condition (E) Committee. All changes to the Implementation Guide will be made subject to the NAIC's regulatory due process and in accordance with its policy statement on open meetings. Regulators and/or interested parties are encouraged to submit proposed Implementation Guide additions or revisions to the Working Group for its consideration at any time.

## **II. CONTENTS OF ENTERPRISE RISK REPORT**

### **A. Item 1 – Enterprise Risk**

Item 1 of the Form F template (provided in Model #450) enumerates the primary contents for the filing, stating:

The Registrant/Applicant, to the best of its knowledge and belief, shall provide information regarding the following areas that could produce enterprise risk as defined in [insert cross reference to definition of Enterprise Risk in Section 1F of the Act]...

Model #440 provides the following definition of Enterprise Risk:

“Enterprise risk” shall mean 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 of the insurer or its insurance holding company system as a whole, including, but not limited to, anything that would cause the insurer’s Risk-Based Capital to fall into company action level or would cause the insurer to be in hazardous financial condition.

In addition, the Form F template in Model #450 prompts registrants to provide information on a number of specific areas that could produce enterprise risk, including the following:

- 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.

Based on these instructions, registrants should provide information on current enterprise risks as well as areas that could produce enterprise risk, including any material activity or development that, in the opinion of senior management, could adversely affect the insurance holding company. In preparing a Form F filing, registrants are encouraged to provide narrative information describing and discussing areas that could produce enterprise risk. The use of supporting narrative is intended to increase the regulator’s understanding of the exposure and reduce the extent of follow-up questions or correspondence that may be necessary to utilize the information provided. By following these proposed best practices, registrants can greatly increase the value of Form F to regulators and allow the filing to fulfill its purpose in disclosing risks with the potential to affect the insurer or the insurance holding company system. In reviewing the information provided in Form F, regulators will utilize their knowledge of the insurance holding company system and expertise in group analysis to evaluate whether sufficient information on potential risks to the system is provided within the filing. Upon completion of this review, the lead state regulator should contact the registrant for further discussion if there are concerns regarding the amount or level of information provided in the filing. Therefore, a more complete Form F filing should allow for regulatory efficiencies in conducting holding company analysis and coordinated financial examinations.

To facilitate the efficient transmission of information on enterprise risks in Form F, registrants may avoid duplicating discussion of risk exposures that have already been adequately discussed in a Form B filing or an ORSA Summary Report (if applicable) by referencing them within the Form F filing. In addition, the instructions in Model #450 provide opportunities to reference SEC filings or other publicly audited financial statements that discuss potential enterprise risks to avoid duplication of efforts in the Form F filing, as indicated below. However, registrants should be aware that disclosures made in other public filings for other purposes, such as SEC filings, may not provide adequate disclosure or information for purposes of a Form F filing. In addition, when referencing SEC filings or other publicly audited financial

statements, registrants are asked to provide excerpts from or specific references to (i.e. page numbers) the areas of the documents that provide information on enterprise risks.

The Registrant/Applicant may attach the appropriate form most recently filed with the U.S. Securities and Exchange Commission, provided the Registrant/Applicant includes specific references to those areas listed in Item 1 for which the form provides responsive information. If the Registrant/Applicant is not domiciled in the U.S., it may attach its most recent public audited financial statement filed in its country of domicile, provided the Registrant/Applicant includes specific references to those areas listed in Item 1 for which the financial statement provides responsive information.

To assist the registrant in identifying areas of potential enterprise risk to be reported in the Form F, the reporting template provided in Model #450 provides a number of topics to be considered in preparing the disclosure. These topics represent areas that regulators have identified as having a high likelihood of impacting the registrant’s exposure to enterprise risk. For the purposes of providing best practice guidance, and to reduce the extent of regulator follow-up and correspondence necessary to utilize the information, possible examples and considerations for use in providing Form F disclosures are shown in the table below. Registrants are encouraged to provide information on these topics to the extent that they could adversely affect the insurance holding company system or could produce enterprise risk.

Topic from Model #450	Additional Considerations	Examples
<p>1. Any material developments regarding strategy, internal audit findings, compliance or risk management affecting the insurance holding company system</p>	<p>The intent of Form F is to provide key regulators with insight into current and prospective risks that can have a material impact on the insurance holding company system. This topic requests discussion of material developments related to risk management that occurred during the year.</p> <p>In order to verify/understand these changes, regulators could benefit from a general understanding of the registrants’ ERM processes. Therefore, similar to the use of Form B to describe the current holding company system and Form C to highlight changes, registrants are encouraged to provide regulators with a general overview of their ERM framework as well as a description of changes from the prior year in addressing this topic.</p>	<ul style="list-style-type: none"> <li>• High level description of ERM framework including relationship to business strategy</li> <li>• Description of materiality standard utilized to identify potential areas of enterprise risk</li> <li>• Description of the impact of changes in the Board of Directors and/or Senior Management on business strategy, risk profile and ERM</li> <li>• Rationale for entering into new lines of business or industries</li> <li>• Description of shifts in investment strategy</li> <li>• Description of changes in overall risk appetite or individual tolerances if material</li> </ul>



Topic from Model #450	Additional Considerations	Examples
2. Acquisition or disposal of insurance entities and reallocating of existing financial or insurance entities within the insurance holding company system	Regulators could benefit from a discussion of how recent acquisitions, disposals or restructuring of entities within the insurance holding company system could have an impact on business strategy, risk profile and ERM processes.	<ul style="list-style-type: none"> <li>• Description of the impact of restructuring the group's organization (including entering into reinsurance pooling agreements)</li> <li>• Description of new risk exposures resulting from recent acquisitions (insurance and non-insurance)</li> <li>• Description of changes in aggregate risk exposures and diversification due to acquisitions/disposals</li> <li>• Description of changes in leverage position or debt load</li> </ul>
3. Any changes of shareholders of the insurance holding company system exceeding ten percent (10%) or more of voting securities	Regulators could benefit from a discussion of how significant changes in ownership structure could have an impact on business strategy, risk profile and ERM processes.	<ul style="list-style-type: none"> <li>• Description of the impact of new ownership structures or activist shareholders on profitability goals and liquidity needs</li> <li>• Discussion of changes in strategic direction due to new ownership</li> </ul>
4. Developments in various investigations, regulatory activities or litigation that may have a significant bearing or impact on the insurance holding company system	Regulators could benefit from a discussion of how any recent or ongoing regulatory investigations, activities or litigation could have an impact on business strategy, risk profile and ERM processes.	<ul style="list-style-type: none"> <li>• Discussion of status or results of ongoing and recent investigations, examinations or audits by regulatory bodies (e.g. SEC, IRS, FRB, etc.) deemed material</li> <li>• Discussion of results or developments in significant litigation with the potential to impact the insurance holding company system</li> </ul>
5. Business plan of the insurance holding company system and summarized strategies for next 12 months	Regulators could benefit from a discussion of how recent or proposed changes to business plans and strategies could have an impact on risk profile and ERM processes.	<ul style="list-style-type: none"> <li>• Description of changes in underwriting, reserving, or reinsurance strategy</li> <li>• Description of changes in marketing plans</li> <li>• Financial projections for the next 12 months</li> <li>• Description of business plans for key entities, in addition to the consolidated holding company (if not already provided)</li> </ul>

Topic from Model #450	Additional Considerations	Examples
6. Identification of material concerns of the insurance holding company system raised by supervisory college, if any, in last year	Regulators could benefit from a discussion of how material concerns raised through supervisory colleges or other regulatory communications have been considered and addressed by the insurance holding company system.	<ul style="list-style-type: none"> <li>• Due to the range and extent of potential concerns raised through supervisory colleges and other regulatory communications, examples are not provided for this topic</li> </ul>
7. Identification of insurance holding company system capital resources and material distribution patterns	Regulators could benefit from a discussion of how capital resources, disbursement patterns (dividend reliance), material debt payments and liquidity needs/sources could have an impact on business strategy, risk profile and ERM processes.	<ul style="list-style-type: none"> <li>• Description of debt level of the insurance holding company system and borrowing capacity</li> <li>• Discussion of the potential need for and ability to contribute additional capital and liquidity</li> <li>• Distribution forecasts, including stock buybacks, dividends (paid and received) or other material cash outlays</li> <li>• Discussion of changes to lines of credit and sources of capital that affect risk profile</li> </ul>
8. 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)	Regulators could benefit from a discussion of how agency ratings and potential changes in agency ratings (issuer or financial strength) could have an impact on business strategy, risk profile and ERM processes.	<ul style="list-style-type: none"> <li>• Discussion of the impact of ratings downgrades or changes in outlook on the insurance holding company system</li> <li>• Description of concerns related to specific areas of the insurance holding company system raised by rating agencies during meetings or discussions with the potential that could affect future ratings</li> <li>• Results of financial projections or capital models indicating that rating agency capital expectations may not be met</li> </ul>
9. Information on corporate or parental guarantees throughout the holding company and the expected source of liquidity should such guarantees be called upon	Regulators could benefit from a discussion of corporate or parental guarantees in place throughout the insurance holding company system and their potential impact on business strategy, risk profile and ERM processes.	<ul style="list-style-type: none"> <li>• Description of guarantees or indemnities of a parent, subsidiary or affiliate's debt and/or general obligations</li> <li>• Description of sources of liquidity available to meet guarantee obligations in the event they are triggered</li> </ul>

Topic from Model #450	Additional Considerations	Examples
<p>10. 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>	<p>Regulators could benefit from a discussion of material current and prospective enterprise risks known to senior management, including risks to the insurance holding company system posed by non-insurance entities and operations. In addition, discussion of mitigation efforts in place to limit the impact of risks could benefit regulators.</p>	<ul style="list-style-type: none"> <li>• Discussion of top/key risks identified within the insurance holding company system</li> <li>• Description of contagion risk exposures within the insurance holding company system, including those from non-insurance affiliates (e.g. affiliated service agreements, financing arrangements, securities lending programs, etc.)</li> <li>• Discussion of the impact of changing accounting standards or different accounting treatment for different business segments</li> <li>• Discussion of reputational risk exposures</li> <li>• Discussion of recent cybersecurity incidents</li> <li>• Description of political risk exposures</li> <li>• Description of technology risk exposures</li> <li>• Description of climate change exposures</li> <li>• Discussion of the impact of competition</li> <li>• Discussion of human capital exposures</li> </ul>

## **B. Item 2 – Obligation to Report**

Guidance for registrants to follow in situations where there are no enterprise risks to be disclosed to the lead state are included in Item 2 of the Form F template in Model #450, which states:

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.

As discussed above, regulators intend to evaluate the sufficiency of information provided within the Form F and should contact the registrant for further discussion if there are concerns. As such, it may be rare for registrants to provide an affirmation stating that no enterprise risks have been identified. Therefore, although not required or provided within the Form F template in Model #450, registrants not subject to the above affirmation are encouraged to include a signature and certification in conjunction with their filing. In fact, some states added a signature and certification when they adopted the Form F by regulation. If provided, the signature and certification should be similar to the format provided within the Form B template included in Model #450 (adjusted as appropriate). To facilitate the use of a signature and certification in the Form F filing, an example certification has been provided at Appendix B.

### III. APPENDIX A – STATE FILING REQUIREMENTS

STATE	DUE DATE	STATE	DUE DATE
ALABAMA	JUNE 1	MONTANA	APRIL 30
ALASKA	MAY 1	NEBRASKA	MAY 1
ARIZONA	MARCH 31	NEVADA	JUNE 30
ARKANSAS	MAY 1	NEW HAMPSHIRE	MAY 1
CALIFORNIA	APRIL 30	NEW JERSEY	APRIL 1
COLORADO	MAY 1	NEW MEXICO	SEPT. 15
CONNECTICUT	JUNE 1	NEW YORK*	APRIL 30
DELAWARE	JUNE 1	NORTH CAROLINA	APRIL 1
DISTRICT OF COLUMBIA	JULY 1	NORTH DAKOTA	MARCH 1
FLORIDA	APRIL 1	OHIO	JUNE 1
GEORGIA	APRIL 30	OKLAHOMA	MAY 1
HAWAII	TBD	OREGON	APRIL 30
IDAHO	JUNE 1	PENNSYLVANIA	MARCH 31
ILLINOIS	MAY 1	PUERTO RICO	TBD
INDIANA	JULY 1	RHODE ISLAND	MAY 1
IOWA	MARCH 31	SOUTH CAROLINA	APRIL 1
KANSAS	MAY 1	SOUTH DAKOTA	JULY 1
KENTUCKY	APRIL 1	TENNESSEE	APRIL 30
LOUISIANA	APRIL 30	TEXAS	APRIL 30
MAINE	MAY 1	UTAH	MAY 1
MARYLAND	JULY 1	VERMONT	MARCH 15
MASSACHUSETTS	MAY 2	VIRGINIA	APRIL 30
MICHIGAN	MAY 1	WASHINGTON	MAY 2
MINNESOTA	JUNE 1	WEST VIRGINIA	JULY 1
MISSISSIPPI	JUNE 1	WISCONSIN	JUNE 1
MISSOURI	MAY 1	WYOMING	JULY 1

\* New York did not adopt the Lead State concept outlined in Model #440. Therefore, an entity described in 11 NYCRR 82 (Insurance Regulation 203) must file a Form F with the New York Department of Financial Services on an annual basis.

**Note:** Due dates are subject to change and state websites provide additional information and guidance regarding filing requirements. See the following NAIC page for links to the state filing instructions and checklists pages:

[http://www.naic.org/industry\\_filing\\_state\\_instructions.htm](http://www.naic.org/industry_filing_state_instructions.htm)

**IV. APPENDIX B – SIGNATURE AND CERTIFICATION**

SIGNATURE

Pursuant to the requirements of Section 4 of the Act, Registrant has caused this Enterprise Risk Report to be duly signed on its behalf of the City of \_\_\_\_\_ and State of \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

(SEAL) \_\_\_\_\_  
Name of Applicant

BY \_\_\_\_\_  
(Name) (Title)

Attest:

\_\_\_\_\_  
(Signature of Officer)

\_\_\_\_\_  
(Title)

CERTIFICATION

The undersigned deposes and says that (s)he has duly executed the attached Enterprise Risk Report dated \_\_\_\_\_, 20\_\_\_\_, for and on behalf of \_\_\_\_\_(Name of Registrant); that (s)he is the \_\_\_\_\_(Title of Officer) of such company and that (s)he is authorized to execute and file such instrument. Deponent further says that (s)he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.

(Signature) \_\_\_\_\_

(Type or print name beneath) \_\_\_\_\_