

RECEIVERSHIP AND INSOLVENCY (E) TASK FORCE

Receivership and Insolvency (E) Task Force Nov. 18, 2024, Minutes
Global Receivership Information Database (GRID) Proposal (Attachment One)

Draft Pending Adoption

Draft: 11/21/24

Receivership and Insolvency (E) Task Force
Denver, Colorado
November 18, 2024

The Receivership and Insolvency (E) Task Force met in Denver, CO, Nov. 18, 2024. The following Task Force members participated: Ann Gillespie, Chair, represented by Jacob Stuckey and Kevin Baldwin (IL); Glen Mulready, Vice Chair, represented by Donna Wilson (OK); Lori K. Wing-Heier represented by David Phifer (AK); Mark Fowler represented by Ryan Donaldson (AL); Michael Conway represented by Rolf Kaumann (CO); Andrew N. Mais represented by Jane Callahan (CT); Michael Yaworsky represented by Yamile Benitez-Torviso (FL); Doug Ommen represented by Kim Cross (IA); Vicki Schmidt represented by Barbara Rankin (KS); Sharon P. Clark represented by Russell Coy (KY); Timothy J. Temple represented by Tom Travis (LA); Michael T. Caljouw represented by Christopher Joyce (MA); Robert L. Carey represented by Robert Wake (ME); Chlora Lindley-Myers represented by Shelley Forrest (MO); Mike Causey represented by Robert Croom (NC); Jon Godfread represented by Colton Schulz (ND); Eric Dunning represented by Tadd Wegner and Andrea Johnson (NE); Justin Zimmerman represented by David Wolf (NJ); Judith L. French represented by Sean Sheridan (OH); Andrew R. Stolfi represented by Kirsten Anderson (OR); Michael Humphreys represented by Laura Lyon Slaymaker and Crystal McDonald (PA); Elizabeth Kelleher Dwyer represented by Matt Gendron (RI); Michael Wise represented by Ryan Basnett (SC); Carter Lawrence represented by Trey Hancock (TN); Cassie Brown represented by Jessica Barta (TX); Scott A. White represented by Dan Bumpus (VA); Mike Kreidler represented by Steve Drutz (WA); and Nathan Houdek represented by Mark McNabb (WI).

1. Adopted its Summer National Meeting Minutes

Anderson made a motion, seconded by Kaumann, to adopt the Task Force's Aug. 14 minutes (*see NAIC Proceedings – Summer 2024, Receivership and Insolvency (E) Task Force*). The motion passed unanimously.

2. Adopted the Report of the Receivership Financial Analysis (E) Working Group

Wilson said the Receivership Financial Analysis (E) Working Group met Nov. 18, in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss companies in receivership and related topics.

Drutz made a motion, seconded by Wolf, to adopt the report of the Receivership Financial Analysis (E) Working Group. The motion passed unanimously.

3. Heard a Proposal to Enhance the Global Receivership Information Database

Peter Gould (Retired) presented his proposal recommending enhancements to the Global Receivership Information Database (GRID) (Attachment One). He said he is an annuity owner committed to protecting consumer interests. Gould said the information in the GRID is limited. He said he wants to see a comprehensive postmortem report on insurers, which he expects state insurance regulators would produce and study to inform future enforcement and regulation. He suggested the GRID be linked to other collection and retrieval systems. He said NAIC members, consumers, and other stakeholders should have access to information that is close to real-time.

Stuckey said he sees duplication of existing information and challenges with the proposal. He said certain data proposed to be added to GRID are already available elsewhere from the NAIC. For example, the insurer's officers, actuary, Certified Public Accountant (CPA), and suspended certificates of authority are within the insurer's last

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financial statement, which are available through the NAIC's insurance data services (INSDATA). State contacts are available on the NAIC website in GRID, the Task Force's web page, and the insurance department's web page. Rehabilitation and liquidation are included in GRID.

Stuckey said information on the supervision of insurers, as proposed, is confidential under state law. Stuckey said other proposed information, such as generally accepted accounting principles (GAAP) financials or copies of communications to policyholders, is not collected by the NAIC. Creating links to external websites would require additional resources to maintain as websites change. He said consumers are most likely to use the contact information provided to them by the receiver.

Stuckey said aggregating the GRID data was not the intent of GRID when it was developed, as it was intended for an individual consumer's use specific to an individual insurer.

Stuckey said the recommendation that it be mandatory for states to update GRID would require either a change in states' laws or a new accreditation standard, the latter of which only applies to multi-state insurers and would not result in a comprehensive database.

Stuckey recommended the Task Force direct NAIC staff to: 1) add a link on the GRID web page to the other sources for state contacts and to INSDATA to make it easier for consumers to navigate the website; and 2) send more frequent reminders to state insurance departments for updates. Hearing no objection, Stuckey directed NAIC staff to proceed with those two actions.

Doug Hartz (Insurer Governance Consultants) said confidential information cannot be made public because it may create a run-on-the-bank scenario, which is why supervision is confidential. Hartz offered to discuss the confidentiality issue with Gould separately.

4. Heard a Report on International Resolution Activities

Wake said the European Union's (EU's) Insurance Recovery and Resolution Directive (IRR) is expected to be published in December 2024 or January 2025. This will trigger members of the EU to adopt legislation in each jurisdiction over a two-year timeline.

He said the International Association of Insurance Supervisors (IAIS) Resolution Working Group has been finalizing revisions to Insurance Core Principles (ICP) 12 (Exit from the Market and Resolution) and ICP 16 (Enterprise Risk Management for Solvency Purposes). The substantive issue discussed at the Resolution Working Group is that the general European approach would be to impose recovery and resolution requirements on a broader share of the market compared to how the U.S. or other jurisdictions view the requirement. A few other jurisdictions have argued that the IRR requires supervisors to be hands-off for the remaining portion of the market. During the review of the comments on the ICP amendments, it was discussed whether there would be more intensive and formal requirements on the top end of the spectrum and be completely hands-off on the lower end of the spectrum. The Resolution Working Group has reached a general consensus on language for the ICP amendments that the IAIS will adopt in December. He said the substance of the ICP amendments has not changed since the NAIC provided comments.

Wake said the Resolution Working Group will begin the review of application papers related to recovery and resolution in 2025.

Travis asked if the EU's IRR will have any extraterritorial effects on the U.S. Wake said he does not believe so. He said where U.S. insurers are part of a European group, the European group-wide supervisor (GWS) will coordinate

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recovery and resolution planning at the group level. Coordination will also depend on whether the U.S. operations are significant enough for the U.S. to participate in the supervisory college.

5. Heard a Reminder for Updates to the *Directory for Receivership and Runoff Resources*

Jane Koenigsman (NAIC) reminded interested parties to submit their requests to be included in the next edition of the *Directory for Receivership and Runoff Resources* to NAIC staff by Dec. 9.

Having no further business, the Receivership and Insolvency (E) Task Force adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/E CMTE/RITF/2024 Fall NM/RITF_Minutes_111824.docx

Receivership and Insolvency (E) Task Force

Amendment Proposal Form

1. Identify yourself, your affiliation, and a very brief description (title) of the issue.

Identification:

Peter Gould - consumer and annuity & life insurance policy owner

I am a retiree. My wife and I depend on Guaranteed Lifetime Withdrawal Benefits from variable annuities for a considerable portion of our retirement income. We did not purchase annuities as speculative investments. As an annuity owner, the insurer's obligations to me are spelled out in my contracts. However, there are no provisions in my contracts that protect me or provide me rights to prevent my insurer from becoming insolvent or unable to meet their contractual obligations to me. I rely entirely on state regulators to adopt and enforce regulations that proactively and effectively prevent: failures of insurers, impairment of insurers' solvency and inability of insurers to honor their contractual obligations to policyowners.

Title of the Issue:

Improvement and expansion of the Global Receivership Information Database (GRID) system.

2. Identify the document, including the date if the document is "released for comment," and the location in the document where the amendment is proposed:

Receivership and Insolvency (E) Task Force - 2024 Adopted Charges (as shown on the RITF webpage - <https://content.naic.org/committees/e/receivership-insolvency-tf>),

"5, Provide an ongoing review of the Receiver's Handbook for Insurance Company Insolvencies (Receiver's Handbook), other related NAIC publications, and the Global Receivership Information Database (GRID), and make any necessary updates."

3. Show what changes are needed by providing a red-line version of the original verbiage with deletions and identify the verbiage to be deleted, inserted, or changed by providing a red-line (turn on "track changes" in Word®) version of the verbiage. (You may do this through an attachment.)

In a search of the NAIC website, I was not able to find the official parameters and specifications for the GRID system, so I'm unable to provide a red-line version. Here are my proposed changes to the GRID system:

- A. Make GRID reporting mandatory, rather than voluntary and require timely reporting (15 days). The minutes of the 3/17/2024 RITF meeting describe the problems with the current protocol - states fail to submit GRID information, information submitted is incomplete, submissions are not timely, etc.
- B. Expand GRID data collection so that in addition to just companies in rehabilitation, reporting is also required for all companies in suspension, supervision and liquidation.

- C. Add a date range search option, so that consumers and other stakeholders can select a date range and view the GRID information in list form. The current search option requires the user to enter a specific company name - there's no way to look at all companies in receivership, unless you already know each company name and do a separate search for each one.

Add filtering so that the list can be sorted by any field (i.e. insurer name, date, domicile state, etc.).

Add ability to download the list with all data elements as an Excel file.

- D. Add live links for each company so users can click to access complete statutory and GAAP annual reports, rehabilitation orders, communications to policy owners, etc.
 - E. Add name of CEO to GRID data
 - F. Add name of CFO to GRID data
 - G. Add Appointed Actuary name and address to GRID data
 - H. Add CPA firm name and address that prepared statutory and GAAP annual reports to GRID data
 - I. Expand data elements contained in GRID. Separately I will propose additional reporting/analysis requirements - these would be included in the GRID system for stakeholder use and to inform enforcement and future regulations.
4. State the reason for the proposed amendment. (You may do this through an attachment.)

There is no centralized and complete registry of insurers in trouble available to stakeholders (state insurance regulators, consumers, legislators, insurance professionals, Federal agencies, researchers, journalists/news media, academics and other interested parties). Apparently, the closest thing to this is the AM Best Insolvency Report - which may not be complete and comprehensive, is not updated in real-time and is only available at considerable cost.

This information is crucial to NAIC members. Unless you're looking at **all** rehabilitations, suspensions, supervisions and liquidations in something close to real time, you aren't looking at the big picture. Early identification of trending problems can inform the promulgation of regulations, the development of new best practices and the improvement of enforcement to prevent future failures. Rehabilitations, suspensions, supervisions and liquidations are required to be reported to SEC on an 8-K filing, so there is no reason that this crucial information should be withheld from stakeholders - whether or not the insurer is a public company.

This information is crucial to consumers as well as other stakeholders. In evaluating the purchase of an insurance product, a consumer needs transparency and access to the information about a prospective insurer, including outstanding regulatory issues, to make an informed decision. The filtering feature will allow consumers to identify and avoid insurers domiciled in states with higher incidences of compliance problems. Ratings from rating agencies don't tell the "whole story".

Adding data for the Appointed Actuary, CPA firm, CEO and CFO will assist in tracking and identifying individuals and firms associated with failed insurers and may reveal patterns of professional malpractice, as detailed in Chapter 4 of the NAIC Receivers' Handbook.