

FINANCIAL CONDITION (E) COMMITTEE

Financial Condition (E) Committee March 24, 2023, Minutes

Mortgage Guaranty Insurance (E) Working Group, Dec. 13, 2022, Minutes (Attachment One)

Draft Revisions to the *Mortgage Guaranty Insurance Model Act* (#630) (Attachment One-A)

Comment Letter from the Mortgage Guaranty Consortium (MGC), the Reinsurance Association of America (RAA), and the Center for Economic Justice (CEJ) (Attachment One-B)

National Treatment and Coordination (E) Working Group, Nov. 9, 2022, Minutes (Attachment Two)

Proposal 2022-03 (Domestic Corporate Amendment Application and Instructions) (Attachment Two-A)

Proposal 2023-01 (Redomestication Form 2R) (Attachment Two-B)

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Draft Pending Adoption

Draft: 3/28/23

Financial Condition (E) Committee
Louisville, Kentucky
March 24, 2023

The Financial Condition (E) Committee met in Louisville, KY, March 24, 2023. The following Committee members participated: Elizabeth Kelleher Dwyer, Chair (RI); Nathan Houdek, Vice Chair, and Amy Malm (WI); Mark Fowler (AL); Michael Conway represented by Keith Warburton (CO); Michael Yaworsky represented by Jane Nelson (FL); Amy L. Beard and Roy Eft (IN); Doug Ommen and Carrie Mears (IA); Timothy N. Schott (ME); Chlora Lindley-Myers represented by John Rehagen and Danielle Smith (MO); Marlene Caride (NJ); Adrienne A. Harris represented by John Finston and Bob Kasinow (NY); Michael Wise (SC); Cassie Brown represented by Jamie Walker and Jessica Barta (TX); and Scott A. White (VA).

1. Adopted its 2022 Fall National Meeting Minutes

Commissioner Caride made a motion, seconded by Commissioner Houdek, to adopt the Committee's Dec. 15, 2022, minutes (*see NAIC Proceedings – Fall 2022, Financial Condition (E) Committee*). The motion passed unanimously.

2. Adopted the Reports of its Task Forces and Working Groups

Superintendent Dwyer stated that the Committee usually takes one motion to adopt its task force and working group reports that are considered technical, noncontroversial, and not significant by NAIC standards, i.e., they do not include model laws, model regulations, model guidelines, or items considered to be controversial. He reminded Committee members that after the Committee's adoption of its votes, all the technical items included within the reports adopted will be sent to the NAIC Members for review shortly after the conclusion of the Summer National Meeting as part of the Financial Condition (E) Committee Technical Changes report. Pursuant to the technical changes report process previously adopted by the Executive (EX) Committee and Plenary, the members will have 10 days to comment. Otherwise, the technical changes will be considered adopted by the NAIC and effective immediately. With respect to the task force and working group reports, Superintendent Dwyer asked the Committee: 1) whether there were any items that should be discussed further before being considered for adoption and sent to the Members for consideration as part of the technical changes; and 2) whether there were other issues not up for adoption that are currently being considered by task forces or working groups reporting to this Committee that require further discussion. The response to both questions was no.

In addition to presenting the reports for adoption, Superintendent Dwyer noted that the Financial Analysis (E) Working Group met March 21, Feb. 15, and Jan. 19 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings, to discuss letter responses and financial results. Additionally, the Valuation Analysis (E) Working Group met March 21 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss valuation items related to specific companies.

Finston made a motion, seconded by Superintendent Schott, to adopt the following task force and working group reports: Accounting Practices and Procedures (E) Task Force; Capital Adequacy (E) Task Force; Financial Stability (E) Task Force; Receivership and Insolvency (E) Task Force; Reinsurance (E) Task Force; Valuation of Securities (E) Task Force; Mortgage Guaranty Insurance (E) Working Group (Attachment One); National Treatment and Coordination (E) Working Group (Attachment Two), and Risk-Focused Surveillance (E) Working Group (Attachment Three). The motion passed unanimously.

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3. Received a Referral from the Valuation of Securities (E) Task Force

Mears said that there was a need identified within the Valuation of Securities (E) Task Force pertaining to its role in assessing investment risk and how it would benefit from different data points that are currently not available. She noted that most of these data points were market value-based, and the original proposal to address this was to add columns to some of the annual reporting schedules. However, it was quickly realized that this was not efficient. Mears noted how that method would result in outdated data by the time it was received. She noted it might not be consistently completed, and many times the insurers and their accounting systems were not matched up with their investment systems to allow this to be data captured as easily as one would expect. Consequently, the industry challenged the proposal, and the general consensus was that a different method and platform were needed to modernize the ability to access this kind of information. Mears said that part of this referral was trying to establish whether that was a valid way forward. Mears requested that the Committee members think about data points around investments that would be valuable and helpful to the process and make a laundry list of requests. She cited as an example how perhaps with more data, actuaries could more easily look at asset duration or other metrics when reviewing and comparing to what is delivered for asset adequacy testing. She asked that a response be provided by May 15. Superintendent Dwyer asked that each of the Committee members review the attachment for this agenda item (Attachment Four) and develop their own lists, as Mears requested.

4. Adopted the Securities Valuation Office's (SVO's) Modeling of CLOs for NAIC Designations

Superintendent Dwyer stated that the Valuation of Securities (E) Task Force had recently adopted an amendment (Attachment Five) to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to include collateralized loan obligations (CLOs) as a financially modeled security under the responsibility of the NAIC's Structured Securities Group (SSG). She explained that CLOs are a type of structured security backed by a pool of debt, typically corporate loans with low credit ratings. She noted that this amendment makes this asset class ineligible to use credit rating provider ratings to determine an NAIC designation if the SSG can model the security. She noted that the NAIC's Investment Analysis Office (IAO) had identified that securities within this asset class had inconsistently assigned NAIC designations when relying upon credit rating provider ratings and had recommended this change to the Task Force to ensure reporting equivalency for NAIC regulatory purposes. The amendment is effective as of Jan. 1, 2024, with insurers first reporting the financially modeled NAIC designations for CLOs with their year-end 2024 financial statement filings.

Mears made a motion, seconded by Finston, to adopt the action taken by the Valuation of Securities (E) Task Force on this item. The motion passed unanimously.

5. Adopted a Request for NAIC Model Law Development Extension from the Mortgage Guaranty Insurance (E) Working Group

Superintendent Dwyer noted that a memorandum from the Mortgage Guaranty Insurance (E) Working Group was included in the materials, requesting an extension on making revisions to the *Mortgage Guaranty Insurance Model Act* (#630). She noted that she believed they had made good progress and, while they are close to finalizing, they are requesting an extension until the Fall National Meeting. Commissioner Houdek stated he supports the work, as Wisconsin was a former chair of the Working Group.

Rehagen made a motion, seconded by Finston, to adopt the request (Attachment Six). The motion passed unanimously.

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6. Discussed Other Matters

Superintendent Dwyer stated that each year the commissioners gather in early February for a Commissioners' Conference. For the last few years, each of the committees has held a short session at that conference to get acclimated with each other and to briefly discuss some of the key regulatory objectives and projects for the year. She stated that during this year's session, the Committee members agreed that one of its priorities was the work of the Restructuring Mechanisms (E) Working Group and Restructuring Mechanisms (E) Subgroup. Further to that point, they agreed to roll the charges and members of the Subgroup into the Working Group (Attachment Seven). No objections were raised to the change, and she asked that NAIC staff update the web pages of both groups to reflect that change.

Having no further business, the Financial Condition (E) Committee adjourned.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/2022-3-Fall/121522 E Minutes.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/2022-3-Fall/121522%20E%20Minutes.docx)

Date: 3/28/23

Mortgage Guaranty Insurance (E) Working Group
Louisville, Kentucky
March 22, 2023

The Mortgage Guaranty Insurance (E) Working Group of the Financial Condition (E) Committee met March 22, 2023. The following Working Group members participated: Jackie Obusek, Chair (NC); Kurt Regner (AZ); Monica Macaluso (CA); Virginia Christy (FL); John Rehagen (MO); Margot Small (NY); Melissa Greiner and Michael McKenney (PA); Amy Garcia (TX); and Amy Malm and Levi Olson (WI).

1. Adopted its 2022 Fall National Meeting Minutes

Malm made a motion, seconded by Rehagen, to adopt the Working Group's Dec. 13, 2022, minutes (*see NAIC Proceedings – Fall 2022, Financial Condition (E) Committee, Attachment Three*). The motion passed unanimously.

2. Discussed Comments Received on the Exposure Draft of Model #630

Obusek commented that during the 2022 Fall National Meeting, the Working Group discussed draft revisions to the *Mortgage Guaranty Insurance Model Act* (#630) (Attachment One-A). Following this discussion, the Drafting Group met and integrated revisions to the draft and re-exposed Model #630 for a 15-day public comment period that ended March 14. As a result of the exposure, a letter was received from the mortgage guaranty consortium (MGC), the Reinsurance Association of America (RAA), and the Center for Economic Justice (CEJ) (Attachment One-B). Obusek stated that the goal is to hear from those who submitted comments and allow Working Group members and others an opportunity to ask questions.

Benjamin Schmidt (Radian Guaranty Inc.) commented that within Section 10B(1) when an insurer establishes its contingency reserve in a segregated account or collateral in a trust that serves the same function as a contingency reserve in the case of a reinsurer. The reinsurers are not filing statutory financial statements and would not have the ability to establish a contingency reserve. The MGC asked for clarification on this provision. Malm asked for clarification regarding who has control of the trust if the reinsurer establishes it. Schmidt commented that it is clarified in the reinsurance agreement that if the reinsurer does not pay its obligations, the mortgage insurer would have access to pay from that account. Heidi Heyrman (Mortgage Guaranty Insurance Corporation) commented that the reinsurers would have no ability to transfer or withdraw money from the trust account. Malm questioned whether it would be possible for other states to not have that requirement and the reinsurance agreement to be set up without that type of collateral. Schmidt indicated that it would be possible; in that case, there would not be credit for the contingency reserve, and that company would set up a contingency reserve. He indicated that the concern with the current language is that only a mortgage insurer would be able to establish that contingency reserve.

Schmidt commented that Section 12D(1) referenced the chief executive officer (CEO) and the chief financial officer (CFO), and some mortgage insurers do not have those positions. Those titles would be at the parent level. The MGC recommends using the term "highest ranking officer" or "highest ranking financial officer."

Schmidt stated that within Section 14 on policy forms and policy rates filed, the July 2000 version of the model has a note on open rating states that would allow a state that adopts the model to delete a portion of the provision and insert its own rating law. He indicated that in certain states, they would want mortgage insurance to be treated as any other line in their state. He commented that this flexibility might allow for more states to adopt the model.

Schmidt commented that regarding to Section 21, the inclusion would allow for less frivolous lawsuits, and there are means for redress if warranted. He stated that frivolous lawsuits weaken the financial condition of companies due to the significant legal fees. There is the risk of plaintiffs' attorneys misconstruing the regulatory intent of these provisions. Schmidt stated that the comment letter regarding this section stated that the state insurance regulators do not have an adequate track record of bringing mortgage insurer enforcement actions. He stated that this accretion overlooks that insurance departments have mechanisms for the enforcement of their laws other than litigation, such as periodic market examinations and desk reviews. Further, he indicated that the no private right of action does not preempt other remedial statutes and causes of action that could apply to the same underlying conduct. He stated that it is not an immunity provision for the mortgage insurers, and it would not insulate the mortgage insurer from being sued for breach of contract of the insurance policy, bad faith, separate federal and state remedial statutes, or common law claims.

Debra Darcy (Consumer Representative) indicated that she would speak on behalf of the comment letter submitted by the CEJ. She commented that Section 21 should be deleted due to the structure of the market, the history of practices that the model law addresses, and the role that some institutions played in the Great Recession. She stated that the structure of the private mortgage insurance market, in which private mortgage insurers sell their product to lenders rather than directly to consumers, meets the NAIC's definition of reverse competition. As such, there need to be extra prohibitions to ensure that there are adequate economic incentives for insurers to follow the provisions in the model law. Darcy further stated that without a private right of action, there could be new tools to sell products in the future that are now not specifically prohibited in the model law. A private right of action ensures that a private mortgage insurer can be held liable when they utilize a practice that is not specifically prohibited in the model but would ultimately harm consumers, the housing market, or the economy. Darcy stated that Section 21 is one-sided; i.e., lenders and consumers cannot sue the private mortgage insurer. However, insurers can sue and have sued lenders and consumers. Darcy also indicated that the assertion that Section 21 will stop frivolous lawsuits neglects the fact that cases have been brought against private mortgage insurers in the past that have not been frivolous. Those cases resulted in penalties and practices that have been changed due to the lawsuits.

Amy Bach (United Policyholders) also spoke on behalf of the comment letter submitted by the CEJ. Regarding Section 21, she commented that curtailing a right that exists in the law today would strain state insurance regulator resources as regulatory agencies do not have the ability to prosecute every consumer violation reported. Bach indicated that the fact that there is another channel of enforcement provides a critical source of consumer protection.

Birny Birnbaum (CEJ) commented that there is no other personal lines model law that has a provision barring a private right of action. He indicated that is because consumers of personal line products need to have some sort of recourse. He stated that the personal lines markets are expansive, further supporting that state insurance regulators need assistance in monitoring these markets.

Obusek indicated that the Drafting Group will reconvene in the coming weeks to arrive at a third and final draft of Model #630. She stated that it is anticipated that a new draft will be available by the end of April, with the intent to hold an open Working Group call in either late April or early May.

3. Discussed Other Matters

Theresa Cameron (Arch Mortgage Insurance Company) summarized a comment letter from mortgage insurers regarding a new proposed U.S. Securities and Exchange Commission (SEC) rule that seeks to prevent conflicts of interest in conjunction with synthetic asset-backed securities (ABS). She indicated that the SEC rule could

inadvertently prohibit mortgage insurers from utilizing mortgage insurance-linked notes (MILNs) because synthetic ABS are not explicitly defined. Since 2015, mortgage insurers have used MILNs as a reinsurance mechanism to disperse and mitigate risks in the ordinary course of business. She requested that the NAIC support that MILNs are an important risk management tool and are encouraged by state insurance regulators to manage risk, provide protection, and enhance mortgage insurers' capital position.

Obusek indicated that the mortgage insurers' comment letter regarding the concerns about the SEC rule has been sent to the appropriate NAIC staff and will be presented to the Government Relations (EX) Leadership Council to coordinate communication with the SEC.

Having no further business, the Mortgage Guaranty Insurance (E) Working Group adjourned.

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MORTGAGE GUARANTY INSURANCE MODEL ACT

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Section 1. Title

This Act may be cited as the Mortgage Guaranty Insurance Act.

Section 2. Definitions

The definitions set forth in this Act shall govern the construction of the terms used in this Act but shall not affect any other provisions of the code.

~~A.~~ A. “Authorized ~~real estate security,~~” ~~for the purpose of this Act,~~ Real Estate Security” means ~~an:~~

~~(1)~~ An amortized note, bond or other ~~evidence~~ instrument of indebtedness, ~~except for reverse mortgage loans made pursuant to [insert citation of state law that authorizes reverse mortgages] of the real property law, evidencing a loan,~~ not exceeding ~~ninety-five~~ one hundred three percent (~~95~~ 103%) of the fair market value of the real estate, secured by a mortgage, deed of trust, or other instrument that constitutes, or is equivalent to, a first lien or junior lien or charge on real estate, ~~with any percentage in excess of one hundred percent (100%) being used to finance the fees and closing costs on such indebtedness;~~ provided:

~~(a) (1)~~ The real estate loan secured in this manner is one of a type that a ~~bank, savings and loan association, or an insurance company~~ creditor, which is supervised and regulated by a department of ~~this any~~ state or territory of the U.S or an agency of the federal government, is authorized to make, or would be authorized to make, disregarding any requirement applicable to such an institution that the amount of the loan not exceed a certain percentage of the value of the real estate;

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(2b) ~~The improvement on loan is to finance the acquisition, initial construction or refinancing of real estate that is a:~~

- ~~(i) Residential building designed for occupancy by not more than four families, a one-family residential condominium or unit in a planned unit development, or any other one-family residential unit as to which title may be conveyed freely; or~~
- ~~(ii) Mixed-use building with only one non-residential use and one one-family dwelling unit; or~~
- ~~(iii) Building or buildings designed for occupancy as specified by Subsections A(1) and A(2) of this section; and by five (5) or more families or designed to be occupied for industrial or commercial purposes.~~

~~(c32) The lien on the real estate may be subject to and subordinate to the following:~~

- ~~(a) The lien of any public bond, assessment or tax, when no installment, call or payment of or under the bond, assessment or tax is delinquent; and~~
- ~~(b) Outstanding mineral, oil, water or timber other liens, leases, rights, rights of way, easements or rights of way of support, sewer rights, building restrictions or other restrictions or easements, covenants, conditions or regulations of use, or outstanding leases upon that do not impair the use of the real property under which rents or profits are reserved to the owner thereof estate for its intended purpose.~~

(2) Notwithstanding the foregoing, a loan referenced in Section 2(A)(1) of this Act may exceed 103% of the fair market value of the real estate in the event that the Mortgage Guaranty Insurance company has approved for loss mitigation purposes a request to refinance a loan that constitutes an existing risk in force for the company.

(3) An amortized note, bond or other instrument of indebtedness evidencing a loan secured by an ownership interest in, and a proprietary lease from, a corporation or partnership formed for the purpose of the cooperative ownership of real estate and which at the time the loan does not exceed one hundred three percent (103%) of the fair market value of the ownership interest and proprietary lease, if the loan is one of a type that meets the requirements of Section 2(A)(1)(a). In this Act, unless the context clearly requires otherwise, any reference to a mortgagor shall include an owner of such an ownership interest as described in this paragraph and any reference to a lien or mortgage shall include the security interest held by a lender in such an ownership interest.

B. ~~“Bulk Mortgage Guaranty Insurance” means mortgage guaranty insurance that provides coverage under a single transaction on each mortgage loan included in a defined portfolio of loans that have already been originated.~~

CP. ~~“Certificate of Insurance” means a document issued by a mortgage guaranty insurance company to the initial insured to evidence that it has insured a particular Authorized Real Estate Security under a Master Policy, identifying the and which describes the particular characteristics, terms, and conditions and representations, in addition to those contained in the Master Policy and endorsements, applicable to such coverage of that insured Authorized Real Estate Security.~~

D. ~~“Commissioner” means [insert the title of the principal insurance supervisory official] of this state, or the [insert the title of the principal insurance supervisory official]’s deputies or assistants, or any employee of the [insert name of the principal insurance regulatory agency] of this state acting in the [insert the title of the principal insurance supervisory official]’s name and by the [insert the title of the principal insurance supervisory official]’s delegated authority.~~

E. ~~“Contingency Reserve” means an additional premium reserve established to protect policyholders against the effect of adverse economic cycles.~~

F

- “Domiciliary Commissioner” means the principal insurance supervisory official of the jurisdiction in which a mortgage guaranty insurance company is domiciled, or that principal insurance supervisory official’s deputies or assistants, or any employee of the regulatory agency of which that principal insurance supervisory official is the head acting in that principal insurance supervisory official’s name and by that principal insurance supervisory official’s delegated authority.
- G. “Effective Guaranty” refers to the assumed backing of existing or future holders of securities by virtue of their issuer’s conservatorship or perceived access to credit from the U.S. Treasury, as opposed to the direct full faith and credit guarantee provided by the U.S. government.
- H. “Loss” refers to losses and loss adjustment expenses, excluding costs which have already been expensed.
- I. “Master Policy” means a document issued by a mortgage guaranty insurance company to a creditor or mortgage holding entity that establishes the terms and conditions of mortgage guaranty insurance coverage provided thereunder, including any endorsements thereto.
- J. “Mortgage Guaranty Insurance” is:
- (1) Insurance against financial loss by reason of nonpayment of principal, interest or other sums agreed to be paid under the terms of any note or bond or other evidence of indebtedness secured by a mortgage, deed of trust, or other instrument constituting a lien or charge on real estate, provided the improvement on the real estate is a residential building or a condominium unit or buildings designed for occupancy by not more than four families; Authorized Real Estate Security; and
- (2) Insurance against financial loss by reason of nonpayment of principal, interest or other sums agreed to be paid under the terms of any note or bond or other evidence of indebtedness secured by a mortgage, deed of trust, or other instrument constituting a lien or charge on real estate, providing the improvement on the real estate is a building or buildings designed for occupancy by five (5) or more families or designed to be occupied for industrial or commercial purposes; and
- (3) Insurance against financial loss by reason of nonpayment of rent or other sums agreed to be paid under the terms of a written lease for the possession, use or occupancy of real estate, provided the improvement on the real estate is a building or buildings designed to be occupied for industrial or commercial purposes.
- K. “Mortgage Guaranty Quality Control Program” means an early detection warning system for potential underwriting compliance issues which could potentially impact solvency or operational risk within a mortgage guaranty insurance company.
- L. “NAIC” means the National Association of Insurance Commissioners.
- M. “Pool Mortgage Guaranty Insurance” means mortgage guaranty insurance that provides coverage under a single transaction or a defined series of transactions on a defined portfolio of loans for losses up to an aggregate limit.
- N. “Right of Rescission” represents a remedy available to a mortgage guaranty insurance company to void a certificate and restore parties to their original position, based on inaccurate information provided to, or information concealed from, the mortgage guaranty insurance company in the insurance application based on inaccurate, incomplete or misleading information provided to, or information omitted or concealed from, the Mortgage Guaranty Insurance company in connection with the insurance application, resulting in an insured loan that did not meet the Mortgage Guaranty Insurance company’s eligibility requirements in effect on the date of submission of the insurance application, resulting in an insured loan which does not meet acceptable risk tolerance requirements in accordance with the mortgage guaranty insurance company’s underwriting standards.
- O. “Risk in Force” mean the mortgage guaranty insurance coverage percentage applied to the unpaid principal balance.

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Section 3. Insurer's Authority to Transact Business

A company may not transact the business of Mortgage Guaranty Insurance until it has obtained a Certificate of authority from the Commissioner.

Section 4. Mortgage Guaranty Insurance as Monoline

A Mortgage Guaranty Insurance company that anywhere transacts any class of insurance other than Mortgage Guaranty Insurance is not eligible for the issuance of a Certificate of Authority to transact Mortgage Guaranty Insurance in this state nor for the renewal thereof.

Section 5. Risk Concentration

A Mortgage Guaranty Insurance company shall not expose itself to any Loss on any one Authorized Real Estate Security risk in an amount exceeding ten percent (10%) of its surplus to policyholders. Any risk or portion of risk which has been reinsured shall be deducted in determining the limitation of risk.

Section 6. Capital and Surplus

- A. Initial and Minimum Capital and Surplus Requirements. A Mortgage Guaranty Insurance company shall not transact the business of Mortgage Guaranty Insurance unless, if a stock insurance company, it has paid-in capital of at least \$~~10~~10,000,000 and paid-in surplus of at least \$~~15~~15,000,000, or if a mutual insurance company, a minimum initial surplus of \$~~25~~25,000,000. A stock insurance company or a mutual insurance company shall at all times thereafter maintain a minimum policyholders' surplus of at least \$~~1,500~~20,000,000.
- B. Minimum Capital Requirements Applicability. A Mortgage Guaranty Insurance company formed prior to passage of this Act may maintain the amount of capital and surplus or minimum policyholders' surplus previously required by statute or administrative order for a period not to exceed twelve months following the effective date of the adoption of this Act.
- C. Minimum Capital Requirements Adjustments. The Domiciliary Commissioner may by order reduce the minimum amount of capital and surplus or minimum policyholders' surplus required under Section 6A under the following circumstances:
- (1) For an affiliated reinsurer that is a Mortgage Guaranty Insurance company and that is or will be engaged solely in the assumption of risks from affiliated Mortgage Guaranty Insurance companies, provided that the affiliated reinsurer is in run-off and, in the Domiciliary Commissioner's opinion, the business plan and other relevant circumstances of the affiliated reinsurer justify the proposed reduction in requirements.
- (2) For Mortgage Guaranty Insurance companies that are in run-off and not writing new business that is justified in a business plan, in the Domiciliary Commissioner's opinion.

Section 4. Insurer's Authority to Transact Business

~~No mortgage guaranty insurance company may issue policies until it has obtained from the commissioner of insurance a certificate setting forth that fact and authorizing it to issue policies.~~

Section 57. Geographic Concentration

- A. A Mortgage Guaranty Insurance company shall not insure loans secured by a single risk in excess of ten percent (10%) of the company's aggregate capital, surplus and Contingency Reserve.
- B. No Mortgage Guaranty Insurance company shall have more than twenty percent (20%) of its total insurance in force in any one Standard Metropolitan Statistical Area (SMSA), as defined by the ~~United States~~U.S Department of Commerce.

- C. The provisions of this section shall not apply to a Mortgage Guaranty Insurance company until it has possessed a Certificate of Authority in this state for three (3) years.

Section 68. Advertising

No Mortgage Guaranty Insurance company or an agent or representative of a Mortgage Guaranty Insurance company shall prepare or distribute or assist in preparing or distributing any ~~brochure, pamphlet, report or any form of~~ advertising media or communication to the effect that the real estate investments of any financial institution are “insured investments,” unless the ~~brochure, pamphlet, report or~~ advertising media or communication clearly states that the loans are insured by Mortgage Guaranty Insurance companies possessing a ~~certificate~~ Certificate of Authority to transact Mortgage Guaranty Insurance in this state or are insured by an agency of the federal government, ~~as the case may be.~~

Section 79. Investment Limitation

Investments in notes or other evidence of indebtedness secured by a mortgage or other liens upon residential real property shall not be allowed as assets in any determination of the financial condition of a mortgage guaranty insurer. A Mortgage Guaranty Insurance company shall not invest in notes or other evidence of indebtedness secured by a mortgage or other lien upon real property. This section shall not apply to obligations secured by real property, or contracts for the sale of real property, which obligations or contract of sale are acquired in the course of ~~the~~ good faith settlement of claims under policies of insurance issued by the Mortgage Guaranty Insurance company, or in the good faith disposition of real property so acquired. This section shall not apply to investments backed by the full faith and credit of the U.S. Government or, with the approval of the Domiciliary Commissioner, to investments with the Effective Guaranty of the U.S. Government. This section shall not apply to investments held by a Mortgage Guaranty Insurance company prior to the passage of this Act.

Section 8. Coverage Limitation

~~A mortgage guaranty insurance company shall limit its coverage net of reinsurance ceded to a reinsurer in which the company has no interest to a maximum of twenty five percent (25%) of the entire indebtedness to the insured or in lieu thereof, a mortgage guaranty insurance company may elect to pay the entire indebtedness to the insured and acquire title to the authorized real estate security.~~

Section 10. Filing Requirements Reserve Requirements

- A. **Unearned premium Reserves, Loss Reserves, and Premium Deficiency Reserves.** Financial reporting will be prepared in accordance with the Accounting Practices and Procedures Manual and Annual Financial Statement Instructions of the National Association of Insurance Commissioners.
- B. **Contingency Reserve.** Each Mortgage Guaranty Insurance ~~as Monoline~~ company shall establish a Contingency Reserve subject to the following provisions:
- A. ~~A mortgage guaranty insurance~~
- (1) The Mortgage Guaranty Insurance company shall make an annual contribution to the Contingency Reserve which in the aggregate shall be equal to fifty percent (50%) of the direct earned premiums reported in the annual statement or net earned premiums reported if the reinsurer maintains the contingency reserve.
 - (2) Except as provided within this Act, a Mortgage Guaranty Insurance company’s contributions to the Contingency Reserve made during each calendar year shall be maintained for a period of 120 months, to provide for reserve buildup. The portion of the Contingency Reserve established and maintained for more than 120 months shall be released and shall no longer constitute part of the Contingency Reserve.
 - (3) Withdrawals may be made from the Contingency Reserve on a first-in, first-out basis or such other basis, with the prior written approval of the Domiciliary Commissioner, based on the amount by which:
 - (a) Incurred losses and loss adjustment expenses exceed 35% of the direct earned premium in any year. Provisional withdrawals may be made from the Contingency Reserve on a quarterly basis

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in an amount not to exceed 75% of the withdrawal as adjusted for the quarterly nature of the withdrawal, with prior written approval of the Domiciliary Commissioner; or

(b) ~~With~~ Upon the approval of the Domiciliary Commissioner and 30-day prior notification to non-domiciliary commissioners, a mortgage guaranty insurer may withdraw from the Contingency Reserve any amounts which are in excess of the ~~minimum policyholder's position~~ requirements of Section 15 as required in (insert section of the Mortgage Guaranty Insurance model law requiring minimum policyholder's position) as filed with the most recently filed annual statement.

(i.) The Mortgage Guaranty Insurance company's Domiciliary Commissioner may consider loss developments and trends in reviewing a request for withdrawal. If any portion of the Contingency Reserve for which withdrawal is requested is maintained by a reinsurer or in a segregated account or trust of a reinsurer, the Domiciliary Commissioner may also consider the financial condition of the reinsurer.

C. Miscellaneous.

(1) ~~Whenever the laws of any jurisdiction in which a Mortgage Guaranty Insurance company subject to the requirement of this Act is also licensed to transact Mortgage Guaranty Insurance require a larger unearned premium reserve or Contingency Reserve in the aggregate than that set forth herein, the establishment of the larger unearned premium reserve or Contingency Reserve in the aggregate shall be deemed to be in compliance with this Act.~~

(1) Unearned premium reserves and Contingency Reserves on risks insured before the effective date of this Act may be computed and maintained as required previously.

Section 11. Reinsurance

A. **Prohibition of Captive Reinsurance.** A Mortgage Guaranty Insurance company shall not enter into captive reinsurance arrangements which involve the direct or indirect ceding of any portion of its insurance risks or obligations to a reinsurer owned or controlled by an insured; any subsidiary or affiliate of an insured; an officer, director or employee of an insured or any member of their immediate family; a corporation, partnership, trust, trade association in which an insured is a member, or other entity owned or controlled by an insured or an insured's officer, director or employee or any member of their immediate family that has a financial interest; or any designee, trustee, nominee or other agent or representative of any of the foregoing.

B. **Subterfuge in Reinsurance Prohibited Cessions.** A mortgage guaranty insurer may, by written contract, reinsure any insurance that it transacts, except that no mortgage guaranty insurer may enter into reinsurance arrangements designed to circumvent the compensating control provisions of Section 17 or the Contingency Reserve requirement of Section 10. The unearned premium reserve, and the loss reserves, and the Contingency Reserve required by Section 10 shall be established and maintained by the direct insurer or by the assuming reinsurer so that the aggregate reserves shall be equal to or greater than the reserves required by direct writer. A reinsurer that is not a Mortgage Guaranty Insurance company is not required to establish a Contingency Reserve provided the reinsurance obligations are not supported by a reserve maintained by the reinsurer will not be entitled to reinsurance credit unless the reinsurance obligations are supported by collateral complying with the requirements of [insert provisions defining acceptable collateral for non-admitted reinsurers] and [The cession shall be accounted for as a retroactive reinsurance agreement as provided in the accounting practices and procedures prescribed or permitted by the applicable accounting practices and procedures manual of the National Association of Insurance Commissioners.]

Section 12. Sound Underwriting Practices

A. **Underwriting Review and Approval Required.** All Certificates of Mortgage Guaranty Insurance, excluding policies of reinsurance, shall be written based on and assessment of evidence that prudent underwriting standards have been met by the originator of the mortgage. Delegated underwriting decisions shall be reviewed based on a reasonable method of sampling of post-closing loan documentation to ensure compliance with the Mortgage Guaranty Insurance company's underwriting standards

B. **Quality Control Reviews.** Quality control reviews for Bulk Mortgage Guaranty Insurance and Pool Mortgage Guaranty Insurance shall be based on a reasonable method of sampling of post-closing loan documentation for delegated underwriting decisions to ensure compliance with the representations and warranties of the creditors or creditors originating the loans and with the Mortgage Guaranty Insurance company's underwriting standards.

C. **Minimum Underwriting GuidelinesStandards.** Mortgage Guaranty Insurance companies shall establish formal underwriting ~~guidelinesstandards~~ which set forth the basis for concluding that prudent underwriting standards have been met.

D. **Underwriting Guideline-Review and Approval.** A Mortgage Guaranty Insurance company's underwriting ~~guidelinesstandards~~ shall be:

- (1) Reviewed and approved by executive management, including but not limited to the chief executive officer and the chief financial officer; and
- (2) Reviewed with either the board of directors or a board committee designated to provide oversight of underwriting policy and ratification of material changes under a written resolution of the board of directors setting forth the scope of review for such oversight and ratification; and
- (23) Communicated across the organization to promote consistent business practices with respect to underwriting.

~~E. Maintenance of Minimum Underwriting Standards and Documentation Generally. Underwriting standards, including but not limited to review and approval procedures, minimum underwriting guidelines, and the collection and retention of underwriting documentation shall be in accordance with:~~

~~Minimum mortgage documentation standards;~~

~~Loan program or type qualification requirements;~~

~~Minimum borrower repayment qualification requirements; and~~

~~Minimum property marketability qualifications.~~

~~Notification of Changes in Underwriting GuidelinesStandards. OA Mortgage Guaranty Insurance company shall provide notice to the Commissioner of changes to its underwriting guidelines as follows:~~

~~On or before March 1 of each year, a Mortgage Guaranty Insurance company shall file with the Domiciliary Commissioner an annual summary of material changes into its underwriting standards and an analysis of the changes-guidelines implemented during the course of the immediately preceding year along with references to supporting hardcopy or website documentation.~~

~~The annual summary of material underwriting ~~guidelinestandard~~ changes should include any change associated with loan to value ratios, debt to income ratios, borrower credit standing or maximum loan amount which has resulted in a material impact on net premium written of +/- 5% from prior year to date.~~

F. **Nondiscrimination.** In extending or issuing Mortgage Guaranty Insurance, a Mortgage Guaranty Insurance company may not discriminate on the basis of the applicant's sex, marital status, race, color, creed, national origin, disability, or age or solely on the basis of the geographic location of the property to be insured unless the discrimination related to geographic location is for a business purpose that is not a mere pretext for unfair discrimination; or the refusal, cancellation, or limitation of the insurance is required by law or regulatory mandate.

Drafting Note: States and jurisdictions should consult their constitution or comparable governance documents and applicable civil rights legislation to determine if broader protections against unacceptable forms of discrimination should be included in Section 12G.

Mortgage Guaranty Insurance Model Act

Section 13. Quality Assurance

A. **Quality ~~Control~~ Assurance Program.** A Mortgage Guaranty Insurance company shall establish a formal internal Mortgage Guaranty Quality ~~Control~~ Assurance Program, which provides an early detection warning system as it relates to potential underwriting compliance issues which could potentially impact solvency or operational risk. This Mortgage Guaranty Quality ~~Control~~ Assurance Program shall provide for the documentation, monitoring, evaluation and reporting on the integrity of the ongoing loan origination process based on indicators of potential underwriting ~~strategy and control~~ inadequacies or non-compliance. This shall include, but not limited to:

- (1) **Segregation of Duties.** Administration of the quality ~~control~~ assurance program shall be delegated to designated risk management, quality ~~control~~ assurance or internal audit personnel, who are technically trained and independent from underwriting activities ~~that they audit-related to loan origination, pricing, underwriting and operations.~~
- (2) **Senior Management Oversight.** Quality control personnel shall provide periodic quality ~~control~~ assurance ~~control~~ reports to an enterprise risk management committee or other equivalent senior management level oversight body.
- (3) **Board of Director Oversight.** Quality ~~assurance control~~ personnel shall provide periodic quality ~~assurance control~~ reports to the board of directors or a designated committee of directors established to facilitate board of director oversight.
- (4) **Policy and Procedures Documentation.** Mortgage Guaranty Quality ~~Assurance Control~~ Program, excluding policies and procedures of reinsurance, shall be formally established and documented to define scope, roles and responsibilities.
- (5) **Underwriting Risk Review.** Quality ~~assurance control~~ review shall include an examination of underwriting risks including ~~categorization~~ classification of risk ~~written unless and until the insurer's exposure and~~ compliance with risk tolerance levels.
- (6) **Lender Performance Reviews.** Quality ~~assurance control~~ monitoring provisions shall include an assessment of lender performance ~~expectations.~~
- (7) **Underwriting Performance Reviews.** Quality ~~assurance control~~ monitoring provisions shall assess compliance with underwriting ~~guidelines~~ standard.
- (8) **Problem Loan Trend Reviews.** Quality ~~assurance control~~ monitoring provisions shall assess prospective risks associated with timely loan payment including delinquency, default inventory, foreclosure and persistency trends.
- (9) **Underwriting System Change Oversight.** Underwriting system program changes shall be monitored to ensure the integrity of underwriting and pricing programs, which impact automated underwriting system decision making.
- (10) **Pricing and Performance Oversight.** Pricing controls shall be monitored to ensure that business segment pricing supports applicable performance goals.
- (11) **Internal Audit Validation.** Periodic internal audits shall be ~~insurer has~~ conducted to validate compliance with the Mortgage Guaranty Quality ~~Assurance Control~~ Program.

B. **Regulator Access and Review of Quality Assurance Program.** The Commissioner shall be provided access to an insurer's Mortgage Guaranty Quality ~~Assurance Control~~ Program for review at any reasonable time upon request and during any financial regulatory examination. Nothing herein shall be construed to limit a regulator's right to access any and all of the records of an insurer in an examination or as otherwise necessary to meet regulatory responsibilities.

Section 14.

~~Section 14.~~ Policy Forms and Premium Rates Filed

MO-630-8

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A. Policy Forms.

~~A. All policy forms and endorsements and modifications (excluding Bulk Mortgage Guaranty Insurance and Pool Mortgage Guaranty Insurance) shall be filed with and be subject to the approval of the commissioner. With respect to owner-occupied, single-family dwellings, the mortgage guaranty insurance or a mixed-use building described in Section 2A(1)(b), which is owner-occupied at the time of loan origination and for at least 50% of the days within the twelve (12) consecutive months prior to borrower default, the Mortgage Guaranty Insurance policy shall provide that the borrower shall not be liable to the insurance company for any deficiency arising from a foreclosure sale.~~

B. Premiums and Rates. In addition, each Mortgage Guaranty Insurance company (excluding Bulk Mortgage Guaranty Insurance and Pool Mortgage Guaranty Insurance) shall file with the department commissioner the rate to be charged and the premium including all modifications of rates and premiums to be paid by the policyholder.

C. Schedule of Premium Charges. Premium Charges. Every Mortgage Guaranty Insurance company shall make available to insureds the premium charges for Mortgage Guaranty Insurance policies via a company website or an integration with a third-party system. The premium rate provided shall show the entire amount of premium charge for the type of Mortgage Guaranty Insurance policy to be issued by the insurance company. Every Mortgage Guaranty Insurance company shall adopt, print and make available a schedule of premium charges for Mortgage Guaranty Insurance policies. Premium charges made in conformity with the provisions of this Act shall not be deemed to be interest or other charges under any other provision of law limiting interest or other charges in connection with mortgage loans. The schedule shall show the entire amount of premium charge for each type of Mortgage Guaranty Insurance policy issued by the insurance company.

~~Drafting Note: Open rating states may delete a portion or all of this provision and insert their own rating law.~~

Section 1215. Outstanding Total Liability Risk in Force and Waivers

A. Risk in Force. A Mortgage Guaranty Insurance company shall not at any time have outstanding a total liability Risk in Force, net of reinsurance, under its aggregate Mortgage Guaranty Insurance policies exceeding twenty-five (25) times its capital, surplus and Contingency Reserve. In the event that any Mortgage Guaranty Insurance company has outstanding total liability Risk in Force exceeding twenty-five (25) times its capital, surplus and Contingency Reserve, it shall cease transacting new mortgage guaranty business until such time as its total liability Risk in Force no longer exceeds twenty-five (25) times its capital, surplus and Contingency Reserve. Total outstanding liability Risk in Force shall be calculated on an consolidated individual entity basis for all mortgage guarantee insurance companies that are part of a holding company system.

B. Waiver. The Commissioner may waive the requirement found in subsection (a) of this section at the written request of a mortgage guaranty insurer upon a finding that the mortgage guaranty insurer's policyholders position is reasonable in relationship to the mortgage guaranty insurer's aggregate insured Risk in Force and adequate to its financial needs. The request must be made in writing at least 90 days in advance of the date that the mortgage guaranty insurer expects to exceed the requirement of subsection (a) of this section and shall, at a minimum, address the factors specified in subsection (j) of this section.

C. Waiver Criteria. In determining whether a mortgage guaranty insurer's policyholders position is reasonable in relation to the mortgage guaranty insurer's aggregate insured Risk in Force and adequate to its financial needs, all of the following factors, among others, may be considered:

- (1) The size of the mortgage guaranty insurer as measured by its assets, capital and surplus, reserves, premium writings, insurance in force, and other appropriate criteria.
- (2) The extent to which the mortgage guaranty insurer's business is diversified across time, geography, credit quality, origination, and distribution channels.
- (3) The nature and extent of the mortgage guaranty insurer's reinsurance program.

Mortgage Guaranty Insurance Model Act

(4) The quality, diversification, and liquidity of the mortgage guaranty insurer's assets and its investment portfolio.

(5) The historical and forecasted trend in the size of the mortgage guaranty insurer's policyholders position.

(6) The policyholders position maintained by other comparable mortgage guaranty insurers in relation to the nature of their respective insured risks.

(7) The adequacy of the mortgage guaranty insurer's reserves.

(8) The quality and liquidity of investments in affiliates. The Commissioner may treat any such investment as a nonadmitted asset for purposes of determining the adequacy of surplus as regards policyholders.

(9) The quality of the mortgage guaranty insurer's earnings and the extent to which the reported earnings of the mortgage guaranty insurer include extraordinary items.

(10) An independent actuary's opinion as to the reasonableness and adequacy of the mortgage guaranty insurer's historical and projected policyholders position.

(11) The capital contributions which have been infused or are available for future infusion into the mortgage guaranty insurer.

(12) The historical and projected trends in the components of the mortgage guaranty insurer's aggregate insured risk, including, but not limited to, the quality and type of the risks included in the aggregate insured risk.

D. **Authority to Retain Experts.** The Commissioner may retain accountants, actuaries, or other experts to assist the Commissioner in the review of the mortgage guaranty insurer's request submitted pursuant to subsection (i) of this section. The mortgage guaranty insurer shall bear the Commissioner's cost of retaining those persons.

E. **Specified Duration.** Any waiver shall be (i) for a specified period of time not to exceed two years and (ii) subject to any terms and conditions that the Commissioner shall deem best suited to restoring the mortgage guaranty insurer's minimum policyholders position required by subsection (a) of this section.

Section 16. Conflict of Interest

~~A. — A mortgage guaranty insurer may underwrite mortgage guaranty insurance on mortgages originated by the holding company system or affiliate or on mortgages originated by any mortgage lender to which credit is extended, directly or indirectly by the holding company system or affiliate only if the insurance is underwritten on the same basis, for the same consideration and subject to the same insurability requirements as insurance provided to nonaffiliated lenders. Mortgage guaranty insurance underwritten on mortgages originated by the holding company system or affiliate or on mortgages originated by any mortgage lender to which credit is extended, directly or indirectly by the holding company system or affiliate shall be limited to 50% of the insurer's direct premium written in any calendar year, or such higher percentage established in writing for the insurer in the commissioner's discretion, based on the commissioner's determination that a higher percentage is not likely to adversely affect the financial condition of the insurer.~~ If a member of a holding company system, a

~~A. — A Mortgage Guaranty Insurance company licensed to transact business in this state shall not, as a condition of its Certificate of Authority, knowingly underwrite Mortgage Guaranty Insurance on mortgages originated by the holding company system or an affiliate or on mortgages originated by any mortgage lender to which credit is extended, directly or indirectly, by the holding company system or an affiliate.~~

~~B. — A Mortgage Guaranty Insurance company, the holding company system of which it is a part, or any affiliate shall not, as a condition of the Mortgage Guaranty Insurance company's Certificate of Authority, engage in activities proscribed in Sections 17 and 18.~~

Section 1714. Compensating Balances Prohibited

Except for commercial checking accounts and normal deposits in support of an active bank line of credit, a Mortgage Guaranty Insurance company, holding company or any affiliate thereof is prohibited from maintaining funds on deposit with the lender for which the Mortgage Guaranty Insurance company has insured loans. Any deposit account bearing interest at rates less than what is currently being paid other depositors on similar deposits or any deposit in excess of amounts insured by an agency of the federal government shall be presumed to be an account in violation of this section. Furthermore, a Mortgage Guaranty Insurance company shall not use compensating balances, special deposit accounts or engage in any practice that unduly delays its receipt of monies due or that involves the use of its financial resources for the benefit of any owner, mortgagee of the real property or any interest therein or any person who is acting as agent, representative, attorney or employee of the owner, purchaser or mortgagee as a means of circumventing any part of this section.

Section 18. Limitations on Rebates, Commissions, Charges and Contractual Preferences

- A. **No Inducements.** Unless set force in the policy and subject to the [state equivalent of the Unfair Trade Practices Act (Model #880)], a Mortgage Guaranty Insurance company shall not pay or cause to be paid either directly or indirectly, to any owner, purchaser, lessor, lessee, mortgagee or prospective mortgagee of the real property that secures the Authorized Real Estate Security or that is the fee of an insured lease, or any interest therein, or to any person who is acting as an agent, representative, attorney or employee of such owner, purchaser, lessor, lessee or mortgagee, any commission, or any part of its premium charges or any other consideration as an inducement for or as compensation on any Mortgage Guaranty Insurance business.
- B. **No Compensation for Placement.** In connection with the placement of any Mortgage Guaranty Insurance, a Mortgage Guaranty Insurance company shall not cause or permit the conveyance of anything of value, including but not limited to any commission, fee, premium adjustment, remuneration or other form of compensation of any kind whatsoever to be paid to, or received by an insured lender or lessor; any subsidiary or affiliate of an insured; an officer, director or employee of an insured or any member of their immediate family; a corporation, partnership, trust, trade association in which an insured is a member, or other entity in which an insured or an officer, director or employee or any member of their immediate family has a financial interest; or any designee, trustee, nominee or other agent or representative of any of the foregoing, except for the value of the insurance itself or claim payments thereon as provided by contract or settlement.
- A.C. **No Rebates.** Unless set force in the policy and subject to the [state equivalent of the Unfair Trade Practices Act (Model #880)], a Mortgage Guaranty Insurance company shall not make a rebate of any portion of the premium charge, as shown by the schedule required by Section 14C. No Mortgage Guaranty Insurance company shall not quote any rate or premium charge to a person that is different than that currently available to others for the same type of coverage. The amount by which a premium charge is less than that called for by the current schedule of premium charges is an unlawful rebate.
- D. **No Undue Contractual Preferences.**
- (1) Any contract, letter agreement, or other arrangement used to modify or clarify any terms, conditions, or interpretations of a Master Policy or Certificate shall be documented in writing.
 - (2) Any contractual or letter agreements used to modify or clarify general business practices and administrative, underwriting, claim submission or other information exchange processes shall not contain provisions which override or significantly undermine the intent of key provisions of the Mortgage Guaranty Insurance Model Act, including mortgage insurer discretion, rights and responsibilities related to:
 - (a) Underwriting standards
 - (b) Quality assurance
 - (c) Rescission
- E. **Sanctions.** The Commissioner may, after notice and hearing, suspend or revoke the Certificate of Authority of a Mortgage Guaranty Insurance company, or in his or her discretion, issue a cease and desist order to a Mortgage Guaranty Insurance company that pays a commission, rebate, or makes any unlawful conveyance of value under this section in willful violation of the provisions of this Act. In the event of the issuance of a

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cease and desist order, the Commissioner may, after notice and hearing, suspend or revoke the Certificate of Authority of a Mortgage Guaranty Insurance company that does not comply with the terms thereof.

- F. **Educational Efforts and Promotional Materials Permitted.** A Mortgage Guaranty Insurance company may engage in any educational effort with borrowers, members of the general public, and officers, directors, employees, contractors and agents of insured lenders that may reasonably be expected to reduce its risk of Loss or promote its operational efficiency and may distribute promotional materials of minor value.

Section 19. Rescission

The Right of Rescission shall be governed by the following:

- A. **Rescission Rights and Responsibilities.** All Mortgage Guaranty Insurance company master policies shall include a detailed description of provisions governing rescissions, re-pricing, and cancellations, which specify the insurer's and insured's rights, obligations and eligibility terms under which those actions may occur to ensure transparency.

- B. **Rescission Relief Provisions.** Mortgage Guaranty Insurance company rescission relief practices shall be in accordance with the following:

A Mortgage Guaranty Insurance Master Policy may provide for mandatory rescission relief based on evidence of compliance with payment history and loan status eligibility requirements.

A Mortgage Guaranty Insurance Master Policy may offer an earlier rescission relief option based on evidence of compliance with underwriting and payment history eligibility requirements.

A Mortgage Guaranty Insurance company shall retain the Right of Rescission in instances in which a creditor or the officers, directors, employees, contractors, and agents of a creditor engage in misstatements, misrepresentations, omissions, data inaccuracies or active efforts to deceive through submission of forged or fictitious information in connection with loan origination or closing for a period of at least 10 years, based on:

Credible evidence of the existence of the above conditions; and

Credible evidence of the materiality of the above conditions to the Mortgage Guaranty Insurance company's acceptance of risk.

- C. **Re-pricing Provisions.** A Mortgage Guaranty Insurance company shall have the option to re-price the insurance premium for coverage upon a loan, when prudent, in lieu of rescinding coverage based on the following:

Rescission relief has not been granted based on Subsection 17B;

The loan would have been eligible for coverage with alternative pricing under the underwriting standards in effect at origination; and

Misstatements, misrepresentations, omissions or inaccuracies by the creditor or the officers, directors, employees, contractors, and agents of a creditor are not considered material based on reasonable verification of appraisal value and borrower income by the Mortgage Guaranty Insurance company.

Section 20. Records Retention

- A. **Record Files.** A licensed Mortgage Guaranty Insurance company shall maintain its records in a manner which allows the Commissioner to readily ascertain the insurer's compliance with state insurance laws and rules during an examination including, but not limited to, records regarding the insurer's management, operations, policy issuance and servicing, marketing, underwriting, rating and claims practices.

Recordkeeping requirements shall relate to:

~~(1) Policy records to clearly document the application, underwriting, issuance and servicing of each policy and Certificate and~~

~~(2) Claim records to clearly document the inception, handling and disposition~~

B. **Retention Period.** Policy and claim records shall be retained for the period during which the Certificate or claim is active plus five (5) years, unless otherwise specified by the Insurance Commissioner.

Recordkeeping requirements shall relate to:

~~(1) Policy Records to clearly document the application, underwriting, and issuance and servicing of each Master Policy and Certificate of Insurance; and~~

~~(2) Claim records to clearly document the inception, handling and disposition~~

C. **Record Format.** Any record required to be maintained by a mortgage insurer may be created and stored in the form of paper, photograph, magnetic, mechanical or electronic medium.

D. **Record Maintenance.** Record maintenance under this Act shall comply with the following requirements:

~~Each mortgage guaranty insurance company shall establish a contingency reserve out of net premium remaining (gross premiums less premiums returned to policyholders net of reinsurance) after establishment of the unearned premium reserve. The mortgage guaranty insurance company shall contribute to the contingency reserve an amount equal to fifty percent (50%) of the remaining unearned premiums. Contributions to the contingency reserve made during each calendar year shall be maintained for a period of 120 months, except that withdrawals may be made by the company in any year in which the actual incurred losses exceed thirty five percent (35%) of the corresponding earned premiums, and no releases shall be made without prior approval by the commissioner of insurance of the insurance company's state of domicile.~~

~~If the coverage provided in this Act exceeds the limitations set forth herein, the commissioner of insurance shall establish a rate formula factor that will produce a contingency reserve adequate for the added risk assumed. The face amount of an insured mortgage shall be computed before any reduction by the mortgage guaranty insurance company's election to limit its coverage to a portion of the entire indebtedness. Insurer maintenance responsibilities shall provide for record storage in a location that will allow the records to be reasonably produced for examination within the time period required.~~

~~(21) Third-Party maintenance related responsibilities shall be set forth in a written agreement, a copy of which shall be maintained by the insurer and available for purposes of examination.~~

Section 21. No Private Right of Action

No Private Right of Action. Nothing in this Act is intended to, or does, create a private right of action based upon compliance or noncompliance with any of the Act's provisions. Authority to enforce compliance with this Act is vested exclusively in the Commissioner.

Section 22+

D. Reinsurance

~~Whenever a mortgage guaranty insurance company obtains reinsurance from an insurance company that is properly licensed to provide reinsurance or from an appropriate governmental agency, the mortgage guaranty insurer and the reinsurer shall establish and maintain the reserves required in this Act in appropriate proportions in relation to the risk retained by the original insurer and ceded to the assuming reinsurer so that the total reserves established shall not be less than the reserves required by this Act.~~

E. Miscellaneous

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- ~~(1) Whenever the laws of any other jurisdiction in which a mortgage guaranty insurance company subject to the requirement of this Act is also licensed to transact mortgage guaranty insurance require a larger unearned premium reserve or contingency reserve in the aggregate than that set forth herein, the establishment of the larger unearned premium reserve or contingency reserve in the aggregate shall be deemed to be in compliance with this Act.~~
- ~~(2) Unearned premium reserves and contingency reserves shall be computed and maintained on risks insured after the effective date of this Act as required by Subsections A and C. Unearned premium reserves and contingency reserves on risks insured before the effective date of this Act may be computed and maintained as required previously.~~

Section 17. Regulations

The Commissioner shall have the authority to promulgate rules and regulations deemed necessary to effectively implement the requirements of this Act.

Chronological Summary of Actions (all references are to the Proceedings of the NAIC).

1976 Proc. II 15, 17, 647, 686, 747-753 (adopted).

1979 Proc. I 44, 47-48, 49, 719, 968-969 (corrected).

March 14, 2023

Ms. Jackie Obusek, Chair
Mortgage Guaranty Insurance (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street
Kansas City, MO 64106-2197
c/o Andy Daleo,
Senior Manager – Financial Regulatory Services

RE: MI Industry Group Comment Letter – February 2023 Draft Model Act

Dear Ms. Obusek:

The Private Mortgage Guaranty Insurance Industry Group (“Industry Group”) submits the following comments to the *Mortgage Guaranty Insurance Model Act* exposed on February 28, 2023 (“Model Act”). Also attached for your convenience is proposed clarifying language regarding the topics addressed below.

Section 10(B)(1) – Contingency Reserve

In Section 10(B)(1), the Industry Group seeks to clarify the language in one sentence regarding the interaction between the contingency reserve requirement and reinsurance by stating that the reinsurer’s establishment of the contingency reserve includes maintaining separately held collateral in a trust or segregated account to support the reinsurer’s obligation. We believe that this concept comports with the intent of the Working Group in redrafting Section 10(B)(1)¹, but seek added clarity in the Model Act as it is vital to the reinsurance market for mortgage guaranty insurance given that many reinsurers do not file a statutory financial statement that shows a contingency reserve liability.

Specifically, insurance-linked notes (“ILNs”) are special purposes entities that do not file statutory financial statements, and certain quota share and excess of loss reinsurance (“QSR/XOL”) counterparties are Bermuda-based reinsurers that do not file statutory financial statements. However, in both the cases of ILNs and QSR/XOL reinsurance transactions, our counterparties generally are required to maintain assets isolated in trust or segregated accounts to support their reinsurance obligation.

Similarly, the requirement that the direct insurer record a liability for funds held under the reinsurance treaty serves the same function because “funds held” is reported as a liability on the insurer’s balance sheet just like the contingency reserve. Therefore we also respectfully request to address this reinsurance treaty practice in the Model Act.

¹ An alternative approach similar to that used in the July 2000 Mortgage Guaranty Insurance Model Act also could be used here in addressing the effect of reinsurance on the contingency reserve requirement. See Industry Group Comment Letter dated November 18, 2022, at p. 7 (recommending the substitution of the term “*earned premiums net of reinsurance*” for “*direct earned premiums*”).

Section 12(D) – Underwriting Review and Approval

We respectfully request that the Model Act use the generic term “highest ranking” in front of “executive officer” and “financial officer” in Section 12(D) instead of “chief”. Many mortgage insurers do not have an officer with the title of chief executive officer or chief financial officer as these titles are more commonly reserved for use at the publicly traded holding company level rather than at the subsidiary level. The highest ranking executive officer of most mortgage insurers typically is the president, although this could vary by company.

Section 14 – Policy Forms and Premium Rates Filed

We respectfully request to retain a note similar to the Drafting Note that is part of the equivalent subsections of the July 2000 Mortgage Guaranty Insurance Model Act stating: “***Drafting Note:*** *Open rating states may delete a portion or all of [this provision] and insert their own rating law.*” States that do not require companies writing other insurance lines to file rates or modifications of rates should be advised that the Model Act contemplates the flexibility to treat mortgage guaranty insurance the same as other types of insurance in that regard.

Other Recommendations and Corrections to the Model Act

Finally, we also include in the attachment recommendations to conform certain defined terms and phrases to the Working Group’s chosen terminology, along with a few other corrections of a minor nature to Sections 2(K), 12(E), 13(A)(2), 14(A), 14(B), and 16.

The Industry Group supports the Working Group’s efforts to update the Model Act, and we would be pleased to make representatives of each company available for a telephonic conference to discuss the comments in this letter if that would be of assistance to you.

Respectfully submitted on behalf of the Industry Group companies below,

**Arch Mortgage Insurance Company,
Enact Mortgage Insurance Corporation,
Essent Guaranty, Inc.,
Mortgage Guaranty Insurance Corporation,
National Mortgage Insurance Corporation, and
Radian Guaranty Inc.**



March 13, 2023

Chief Deputy Commissioner Jackie Obusek, Chair
Mortgage Guaranty Insurance (E) Working Group
National Insurance Commissioners
c/o Mr. Andy Daleo
Senior Manager – Financial Regulatory Services
Via email adaleo@naic.org

Re: RAA Comments regarding proposed changes to the Mortgage Guaranty Insurance Model Act

Dear Chief Deputy Commissioner Obusek:

The Reinsurance Association of America (RAA) appreciates the opportunity to submit comments to the Mortgage Guaranty Insurance (E) Working Group regarding the exposure draft of the *Mortgage Guaranty Insurance Model Act* (#630). The Reinsurance Association of America (RAA) is a national trade association representing reinsurance companies doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross-border basis. The RAA also has life reinsurance affiliates.

The RAA appreciates the Working Group's continued thoughtful engagement with updating the model act. While the RAA had issues with the previous draft, we believe these concerns have now been addressed. The RAA was concerned that Section 11(B) of the Model was potentially in conflict with the *Credit for Reinsurance Model Law* (#785), but the deletion of the concerning language in the new draft has removed this potential conflict. The RAA now no longer believes there is any concern of a conflict and support this deletion of the potentially conflicting language.

The RAA understands the efforts to amend this model have been on going or quite some time and appreciates the NAIC's willingness to listen and address the RAA's concerns. The RAA appreciates the opportunity to share the thoughts of our members and looks forward to further discussions about them.

Sincerely,

A handwritten signature in black ink that reads "Karalee C. Morell". The signature is written in a cursive, flowing style.

Karalee C. Morell
SVP and General Counsel
Reinsurance Association of America



Comments of the Center for Economic Justice
To the NAIC Mortgage Guaranty Insurance Working Group
Regarding Revisions the Mortgage Guaranty Insurance Model Act
March 14, 2023

The Center for Economic Justice submits the following comments on the most recent exposure draft of revisions to NAIC Model 630. We strongly object to the insertion of the new Section 21 prohibiting a private right of action based on any provision of the model law and urgently request the removal of this new section.

The rationale offered by industry for this profoundly anti-consumer provision is their “belief” that the model represents a “complete statutory scheme” intended “to be enforced exclusively by the respective commissioners who have the expertise to administer the act.” As is typically the case with industry arguments to curtail consumer or business access to civil justice, industry argues that absent such a prohibition, frivolous litigation will result.

History tells a different story. With great respect for state insurance regulators – those who have had and continue to have responsibility for various aspects of private mortgage insurance oversight – the failure of private mortgage insurers to pursue sound risk management practices in the lead-up to the financial crisis occurred because of

- 1) the structural nature of the private mortgage insurance markets (reverse competition) and,
- 2) insurance regulators’ lack of understanding of the dangers posed by the mechanisms used by private mortgage insurers to compete for business.

PMI is sold by insurers to mortgage lenders who, in turn, sell PMI with certain mortgages to borrowers. Unlike a normally competitive market in which purchasers exert market pressure on sellers and can discipline sellers on price and terms, PMI insurers compete for the lenders’ business since the lenders are the gatekeepers for access to the premium-paying borrowers.

CEJ Comments to NAIC Mortgage Guaranty Insurance Working Group
March 14, 2023
Page 2

The NAIC has defined reverse competition as follows:

“Reverse competition” means competition among insurers that regularly takes the form of insurers vying with each other for the favor of persons who control, or may control, the placement of the insurance with insurers. Reverse competition tends to increase insurance premiums or prevent the lowering of premiums in order that greater compensation may be paid to persons for such business as a means of obtaining the placement of business. In these situations, the competitive pressure to obtain business by paying higher compensation to these persons overwhelms any downward pressures consumers may exert on the price of insurance, thus causing prices to rise or remain higher than they would otherwise.

In the case of PMI leading up to the financial crisis, the reverse competition led to abandonment of sound risk management by PMI insurers as they sought the lenders’ business with ever-greater kickbacks and considerations. PMI insurers invented various mechanisms to kick back PMI premium to lenders. One glaring example was the use by PMI insurers of lender-affiliated reinsurance (“captive reinsurance”). Far from being a risk management tool, as concluded by at least one senior insurance regulator, this was a blatant kickback mechanism and part of an overall abdication of effective risk management by both the insurers and regulators. Captive reinsurance was only one method of inducement.

There is simply no proven track record of state insurance regulators providing a comprehensive consumer protection capability regarding private mortgage insurance and certainly no track record to justify a prohibition on a private right of action. Given the variety of market conduct features now included in the model – prohibitions on rebates, undue contractual preference, inducements and captive reinsurance – it is critical that regulators have assistance in identifying market and compliance problems by consumer and business exercising of a right of action

The prohibition on a private right of action is hypocritically one-sided. PMI insurers face no prohibition against suing a lender, despite lenders being part of a comprehensive statutory scheme. Further, industry has offered no evidence of any significant amount of “frivolous” litigation. The prohibition against a private right of action is not only a solution in search of a problem, but also incredible chutzpah by an a sector of the insurance industry with a history of consumer abuses that contributed to the collapse of the mortgage and real estate market leading to the Great Recession.

CEJ urges the working group to remove new Section 21 from the revised model.

Draft: 3/15/23

National Treatment and Coordination (E) Working Group
Virtual Meeting
February 14, 2023

The National Treatment and Coordination (E) Working Group of the Financial Condition (E) Committee met Feb. 14, 2023. The following Working Group members participated: Debbie Doggett and Kelly Hopper, Co-Chair (MO); Cameron Piatt, Co-Chair (OH); Jacline Nguyen (CO); William Mitchell (CT); Sherry Wilson (DE); Alison Sterett (FL); Tangela Byrd (LA); Doug Hartz (OR); Karen Feather (PA); John Carter (TX); Jay Sueoka (UT); Ron Pastuch (WA); Christopher Martin (WI); and Doug Melvin (WY).

1. Adopted Proposal 2022-03

Doggett said the proposal was exposed for a 30-day comment period ending Dec. 12, 2022. There were no comments received. Doggett reminded the Working Group that the proposal adopted today is subject to change once the electronic format is developed to accommodate for electronic modifications.

Hartz made a motion, seconded by Wilson, to adopt proposal 2022-03 (Domestic Corporate Amendment Application and Instructions) (Attachment Two-A). The motion passed unanimously.

2. Adopted Proposal 2023-01

Piatt explained the modifications to proposal 2023-01 (Redomestication Form 2R) were to remove information that pertained to the primary (start-up) application now that the previous Form 2P has been split into two separate applications and is determined to not be necessary for a redomestication application. Piatt said that the edits to this form are self-explanatory and suggested adopting the proposal instead of exposing it for comment.

Sueoka made a motion, seconded by Pastuch, to adopt proposal 2023-01 (Redomestication Form 2R) (Attachment-Two-B). The motion passed unanimously.

3. Discussed Other Matters

Jane Barr (NAIC) said that the electronic primary application is available for testing in production. Any company interested in participating should contact Barr, as the link has not been posted on the website. The developers will begin working on the Redomestication application. It has yet to be determined if that application will be available to pilot test. Barr anticipates that both applications will be ready for public use by July 1.

Barr also mentioned that the Uniform Certificate of Authority Application (UCAA) logo is being rebranded. A sample is provided on the redomestication form. Once the logo is approved, the application forms and website will be updated to coincide with the new application release. Barr will keep the Working Group updated on the timeline for that change. The intent is to update every UCAA form and content on the website. Karen Fallstrom (UnitedHealthcare) asked if that applied to form 11 and the addendum pages. Barr confirmed it did include form 11 and the addendum page.

Barr said the ad hoc groups will resume in March with a slight change to the domestic state applications. Ad hoc groups will meet on Thursday afternoons every two weeks to coincide with the enhancement release schedule. The Form A and Biographical Database Ad Hoc Groups will meet on alternate Monday afternoons beginning in March. Anyone interested in participating should email Barr.

Having no further business, the National Treatment and Coordination (E) Working Group adjourned.

 [SharePoint/NAIC Support Staff Hub/Meetings/E CMTE/2023-1-Spring/NTCWG/2_14_ccmin-draft.docx](#)

Applicant Company Name: _____

NAIC No. _____
FEIN: _____



Corporate Amendments Application
Application to Amend Domestic Certificate of Authority

To the Insurance Commissioner/Director/Superintendent of the State of:

Drop-down menu with the state list.

The Uniform Certificate of Authority Corporate Amendments Application can be used to file more than one change. The Applicant Company should mark all changes being filed on the application form and submit all items required for those changes in one application.

(Select the type of transaction for which the Applicant Company is applying.)

- ☐ Add Lines of Business: The undersigned Applicant Company hereby certifies that the lines of insurance as indicated on the Lines of Insurance Form 3 are all lines of business that (a) the Applicant Company is currently authorized to transact, (b) are currently transacted, and (c) which the Applicant Company is applying to transact.
- ☐ Name Change
- ☐ Delete Lines of Business: The undersigned Applicant Company hereby certifies that the lines of insurance as indicated on the Lines of Insurance Form 3 are all lines of business that (a) the Applicant Company is currently authorized to transact, (b) are currently transacted, and (c) which the Applicant Company is applying to delete.
- ☐ Change in Company (Corporate) Structure: The Applicant Company is requesting to change its corporate structure from reciprocal to mutual, or mutual to stock, etc. Or the Applicant Company is changing from a Life to Health company, Health to Life or Health to Property and Casualty, etc.
- ☐ Change of Statutory Home Office Address
- ☐ Amended Articles of Incorporation
- ☐ Amended Bylaws

Effective Date of Name Change: _____

Previous Name of Applicant Company: _____

New Name of Applicant Company: _____

Did the Applicant Company experience a merger or an owner change prior to the name change?

Yes ☐ No ☐

If yes, please be sure a Form A application was also submitted for the merger and/or ownership change transaction.

Requested Effective Date of Change of Corporate Structure: _____

Statutory Reference for Conversion: _____

Previous Company Type: _____

New Company Type: _____

Has the Applicant Company's designee to appoint and remove agents changed as a result of this corporate amendment?

Yes ☐ No ☐

Applicant Company Name: _____

NAIC No. _____
FEIN: _____

If yes, please note the new designee (name natural persons only): _____

Effective Date of Statutory Home Office Address Change: _____

Previous Statutory Home Office Address: _____

E-Mail Address: _____ Phone: _____ Fax: _____

New Statutory Home Office Address: _____

E-Mail Address: _____ Phone: _____ Fax: _____

Previous Administrative Office Address: _____

E-Mail Address: _____ Phone: _____ Fax: _____

New Administrative Office Address: _____

E-Mail Address: _____ Phone: _____ Fax: _____

Previous Mailing Address: _____

E-Mail Address: _____ Phone: _____ Fax: _____

New Mailing Address: _____

E-Mail Address: _____ Phone: _____ Fax: _____

Change in Contacts _____

Are these addresses the same as those shown on the Applicant Company's Annual Statement?

Yes ☐ No ☐

If not, indicate why: _____

The following information is required of the individual (Applicant Company employee or paid consultant) who is authorized to represent the Applicant Company before the department.

Name: _____

Title: _____

Mailing Address: _____

E-Mail Address: _____ Phone: _____ Fax: _____

If the representative is not employed by the Applicant Company, please provide a company contact person in order to facilitate requests for detailed financial information.

Name _____

Title _____

Mailing Address _____

E-Mail Address: _____ Phone: _____ Fax: _____

Please provide a listing of all other applications filed by the Applicant Company, or any of its affiliates, which are pending before the Department:

Applicant Company Name: _____

NAIC No. _____
FEIN: _____

Applicant Company Officers' Certification and Attestation

One of the three officers (listed below) of the Applicant Company must read the following very carefully before signing:

1. I hereby certify, under penalty of perjury, that I have read the application, that I am familiar with its contents, and that all of the information, including the attachments, submitted in this application is true and complete. I am aware that submitting false information or omitting pertinent or material information in connection with this application is grounds for license discipline or other administrative action and may subject me, the Applicant Company, or both, to civil or criminal penalties.
2. I acknowledge that I am familiar with the insurance laws and regulations of the jurisdictions in which the Applicant Company is licensed or to which the Applicant Company is applying for licensure.
3. I acknowledge that I am the _____ of the Applicant Company, am authorized to execute and am executing this document on behalf of the Applicant Company.
4. I hereby certify under penalty of perjury under the laws of the applicable jurisdictions that all of the forgoing is true and correct, executed at _____.

Date

Signature of President

Full Legal Name of President

Date

Signature of Secretary

Full Legal Name of Secretary

Date

Signature of Treasurer

Full Legal Name of Treasurer

Applicant Company Name: _____

NAIC No. _____
FEIN: _____



For Adding Lines of Business to an Existing Certificate of Authority

Directions: Complete **Section I** (questions 1 – 21) for adding new lines of business. Complete **Section II** (questions 22 through 25) for deleting lines of business. Each "Yes" or "No" question is to be answered by marking an "X" in the appropriate space. All questions should be answered. If the Applicant Company denotes a question as "Not Applicable" (N/A) an explanation must be provided. Other answers and additional explanations or details may be attached to the affidavit. Please complete this form and file it with the Applicant Company's application to change lines of business to its Certificate of Authority.

Section I

1. Has the Applicant Company merged or consolidated with any other company within the last five years?
Yes ____ No ____
2. Have any of the following taken place since the date of the Applicant Company's most recent Annual Statement?
 - A. Is the Applicant Company presently negotiating for or inviting negotiations for any transaction as described in question 1 above?
Yes ____ No ____
 - B. A change of management or control?
Yes ____ No ____
 - C. Does the Applicant Company contemplate a change in management or any transaction which would normally result in a change of management within the next 12 months?
Yes ____ No ____If the answer to any question is yes, provide the details in writing and attach to the Questionnaire.
3.
 - A. Has the Applicant Company's certificate of authority to do business in any state been suspended or revoked within the last five years?
Yes ____ No ____
 - B. Has the Applicant Company's application for admission to any state been denied within the last five years?
Yes ____ No ____
 - C. Has the Applicant Company's application to add lines of business to its Certificate of Authority in any state been denied within the last five years?
Yes ____ No ____If the answer to any of the above question is yes, provide the details in writing and attach to the Questionnaire.
4. Since the date of the most recent Annual Statement, has any person who is presently an officer, director, or shareholder of the Applicant Company, been convicted of, or pleaded guilty, or nolo contendere to, a felony charge for theft, larceny or mail fraud, or of violating any corporate securities statute or any insurance statute?
Yes ____ No ____

Applicant Name: _____

NAIC No. _____

FEIN: _____

If yes, provide the details in writing and attach to the Questionnaire.

5. Is the Applicant Company presently engaged in a dispute with any state or federal regulatory agency?

Yes ____ No ____

If yes, provide the details in writing and attach to the Questionnaire.

6. Is the Applicant Company a plaintiff or defendant in any legal action other than one arising out of policy claims?

Yes ____ No ____

If yes, provide a summary of each case and attach to the Questionnaire.

7. Has the Applicant Company, within 18 months last preceding the date of this affidavit, entered into any material transactions, as defined in the NAIC Model Law on Material Transactions, with any affiliate, officer, director, trustee, or shareholder which has not been approved in writing by the state of domicile? Material transactions include: loans, transfers of assets, purchases of assets, reductions of liabilities, or reinsurance transactions.

Yes ____ No ____

If yes, provide the details in writing and attach to the Questionnaire.

8. Please explain the Applicant Company's Management's experience, expertise or background regarding the requested lines of business. This explanation should be specific and include documentation which shows the amount of time management was involved in producing the requested lines and other information that demonstrates the experience level of management.

9. Provide a list of any affiliated parties that will be involved in the marketing, underwriting, servicing, administration, premium financing, claims adjustment or claims payment for the requested lines of business.

10. Provide a detailed description of the Applicant Company's sales techniques for the requested lines of business. The description should include:

- A. Information regarding recruitment and training of sales representatives.
- B. Identification as to whether the Applicant Company will be a direct writer or will use agents, brokers, or a combination thereof.
- C. Explanation of the compensation and control to be provided by the Applicant Company to its agents, brokers or sales personnel.
- D. Identification of any specific agency, third party administrator, or managing general agent, and a copy of the agreement. Including verification that such is properly licensed as needed.(would this be a follow-up request or due at submission?)

11. Provide the following for the requested lines of business:

- A. The product lines to be sold by the Applicant Company,
- B. The Applicant Company's marketing plan, including a description of the financial, corporate, or other connections productive of insurance,
- C. The Applicant Company's current and expected competition (both regionally and nationally) and

Applicant Name: _____

NAIC No. _____
FEIN: _____

- D. Include a detailed explanation as to how the Applicant Company will develop, purchase, control and supervise its advertising.

A general description of the classes to be transacted is not an adequate response. For example, if the Applicant Company plans to market credit life and disability products tailored for use by credit unions, simply stating that it will transact credit life and disability is inadequate.

12. If a parent, subsidiary, and/or affiliated insurer is already admitted for the classes of insurance requested in the pending application, differentiate the products and/or markets of the Applicant Company from those of the admitted insurer(s).

13. Explain in detail how (a) the Applicant Company's policies will be underwritten, including the issuance of policies and endorsements (b) policies will be cancelled and (c) premiums and other funds will be handled, including:

- A. Identify the entity that will perform each of these functions.
- B. If personnel performing these functions will be shared with another entity, or if another entity will be performing these functions, provide an explanation of this arrangement.

14. Explain in detail how the Applicant Company will adjust and pay claims.

- A. Identify the entity that will perform the Applicant Company's claims adjusting and claims payment functions.
- B. If personnel for claims adjusting or claims payment will be shared with another entity, or another entity will be performing the Applicant Company's claims adjusting and claims payment, please explain this arrangement, including any affiliation with the Applicant Company.
- C. Provide detailed information as to how and by whom claim reserves will be set and modified.
- D. Does the Applicant Company pay any representative given discretion as to the settlement or adjustment of claims under life or disability policies, whether in direct negotiation with the claimant or in supervision of the person negotiating, a compensation which is in any way contingent upon the amount of settlement of such claims?

Yes ____ No ____

If yes, please provide a detailed explanation and attach to Questionnaire.

15. Is the Applicant Company a member of a group of companies that shares any of the following:

- A. Common facilities with another company or companies
Yes ____ No ____
- B. Services (e.g. accounting personnel for financial statement preparation)
Yes ____ No ____

If the answer to any of the above is yes please provide a detailed explanation and attach to Questionnaire.

16. Provide a company-wide, three-year pro forma balance sheet and income statement. For the lines being requested, provide (3) year premium and loss projections by line Projections should support all aspects of the proposed plan of operation, including reinsurance arrangements and any delegated function agreements. Include the assumptions used to arrive at these projections.

17. Provide an explanation of any reinsurance that will be entered into, or that is currently in place covering the requested lines of business. Provide details and attach to the Questionnaire.
For affiliated reinsurer – submit Form D for approval.

Applicant Name: _____

NAIC No. _____
FEIN: _____

18. Are any of the Applicant Company's policies being sold in connection with mutual funds or investments in securities?

Yes ____ No ____ Not Applicable ____

If yes, supply details including all sales literature which refers to the insurance and mutual fund or other investment plan connection.

19. If the Applicant Company is applying for authority to write Variable Annuities, provide the following:

- A. Copy of any third-party management or service contracts
- B. Commission schedules
- C. Five-year sales and expense projections
- D. A statement from the Applicant Company's actuary describing reserving procedures including the mortality and expense risks which the Applicant Company will bear under the contract
- E. Statement of the investment policy of the separate account
- F. Copy of the variable annuity contract and application
- G. A description of any investment advisory services contemplated relating to Separate Accounts
- H. Board of Directors resolution authorizing the creation of the separate account.

20. If the Applicant Company is applying for authority to write Variable Life Insurance, provide the following:

- A. Copy(ies) of variable life policy(ies) the Applicant Company intends to issue
- B. Name and experience of person(s) or firm(s) proposed to supply consulting, investments, administrative, custodial or distribution services to the Applicant Company
- C. Disclose whether each investment advisor, 1) is registered under the Investment Advisers Act of 1940, or 2) is an investment manager under the Employee Retirement Income Security Act of 1974, or 3) whether the Applicant Company will annually file required information and statements concerning each investment advisor as required by its domiciliary state.
- D. Statement of the investment policy of any separate account, and the procedures for changing such policy
- F. A statement from the Applicant Company's actuary describing reserving procedures including the mortality and expense risks which the Applicant Company will bear under the contract.
- G. Standards of suitability or conduct regarding sales to policyholders
- H. Statement authorizing the creation of the separate account (i.e. Board resolution)
- I. Statement specifying the standards of conduct with respect to the purchase or sale of investments of separate accounts (i.e. Board resolution)

21. If the Applicant Company is applying for authority to write Life Insurance, has the Applicant Company at any time within the last five years, irrespective of changes in management, taught or permitted its agents to sell insurance by using any of the following devices, or representations resembling any of the following:

- A. "Centers of influence" and "advisory board"

Applicant Name: _____

NAIC No. _____
FEIN: _____

- B. Yes____ No____
- B. Charter or founder's policy
Yes____ No____
- C. Profit sharing plan
Yes____ No____
- D. Only a limited number of a certain policies will be sold in any given geographical area
Yes____ No____
- E. "Profits" will accrue or be derived from mortality savings, lapses and surrenders, investment earnings, savings in administration
Yes____ No____
- F. Printed list of several large American or Canadian insurers showing the dollar amounts of "savings", "profits" or "earnings" they have made in such categories
Yes____ No____

If the answer to any of the above is yes, supply a complete set of all sales material including the sales manual, all Applicant Company instructional material, brochures, illustrations, diagrams, literature, "canned" sales talks, copies of the policies which are no longer in use, list of states where such methods were used and the date (by year) when they were used, the approximate amount of insurance originally written in each state on each policy form thusly sold, the amount currently in force, and the lapse ratio on each form year by year and cumulatively in gross to the present date.

Deleting Lines of Business Section II

22. Utilizing the information contained in Form 3, the lines of business requesting to be deleted, have those lines been removed from all foreign licensed states? Yes or No

If No, explain why.

23. Utilizing the information contained in Form 3, list all of the lines of business that the Applicant Company requests to be deleted from its Certificate of Authority.
24. Provide a detailed explanation for the Applicant Company's request to delete these lines of business.
25. Indicate the number of policyholders by line of business that will be non-renewed or cancelled if the Applicant Company's request to delete lines of business is approved.
26. Provide documentation that the Applicant Company has complied with all requirements for removal of lines of business from its Certificate of Authority, and withdrawal from the specified state.

Applicant Company Name: _____

NAIC No. _____
FEIN: _____



_____ Original Designation

_____ Amended Designation

(must be submitted directly to states)

Applicant Company Name: _____

Previous Name (if applicable): _____

Statutory Home Office Address: _____

City, State, Zip: _____ NAIC CoCode: _____

The Applicant Company named above, organized under the laws of _____, and regulated under the laws of _____ for purposes of complying with the laws of the State(s) designate hereunder relating to the holding of a certificate of authority or the conduct of an insurance business within said State(s), pursuant to a resolution adopted by its board of directors or other governing body, hereby irrevocably appoints the officers of the State(s) and their successors identified in Exhibit A, or where applicable appoints the required agent so designated in Exhibit A hereunder as its attorney in such State(s) upon whom may be served any notice, process or pleading as required by law as reflected on Exhibit A in any action or proceeding against it in the State(s) so designated; and does hereby consent that any lawful action or proceeding against it may be commenced in any court of competent jurisdiction and proper venue within the State(s) so designated; and agrees that any lawful process against it which is served under this appointment shall be of the same legal force and validity as if served on the entity directly. This appointment shall be binding upon any successor to the above named entity that acquires the entity's assets or assumes its liabilities by merger, consolidation or otherwise; and shall be binding as long as there is a contract in force or liability of the entity outstanding in the State. The entity hereby waives all claims of error by reason of such service. The entity named above agrees to submit an amended designation form upon a change in any of the information provided on this power of attorney.

Applicant Company Officers' Certification and Attestation

One of the two Officers (listed below) of the Applicant Company must read the following very carefully and sign:

1. I acknowledge that I am authorized to execute and am executing this document on behalf of the Applicant Company.
2. I hereby certify under penalty of perjury under the laws of the applicable jurisdictions that all of the forgoing is true and correct, executed at _____.

Date

Signature of President

Full Legal Name of President

Date

Signature of Secretary

Full Legal Name of Secretary

**Uniform Certificate of Authority (UCAA)
Uniform Consent to Service of Process
Exhibit A**

Acknowledge that the state selected below is the Applicant Company's domiciliary state for which the person executing this form is appointing the designated agent for receipt of service of process:

<input type="checkbox"/> AL	Commissioner of Insurance # and Resident Agent*	<input type="checkbox"/> MO	Director of Insurance #
<input type="checkbox"/> AK	Director of Insurance #	<input type="checkbox"/> MT	Resident Agent*
<input type="checkbox"/> AZ	Director of Insurance # ^	<input type="checkbox"/> NE	Officer of Company* or Resident Agent* (circle one)
<input type="checkbox"/> AR	Resident Agent *	<input type="checkbox"/> NH	Commissioner of Insurance #
<input type="checkbox"/> AS	Commissioner of Insurance #	<input type="checkbox"/> NV	Commissioner of Insurance Commission # ^
<input type="checkbox"/> CO	Commissioner of Insurance # or Resident Agent*	<input type="checkbox"/> NJ	Commissioner of Banking and Insurance # ^
<input type="checkbox"/> CT	Commissioner of Insurance #	<input type="checkbox"/> NM	Superintendent of Insurance #
<input type="checkbox"/> DE	Commissioner of Insurance #	<input type="checkbox"/> NY	Superintendent of Financial Services #
<input type="checkbox"/> DC	Commissioner of Insurance and Securities Regulation # or Local Agent* (circle one)	<input type="checkbox"/> NC	Commissioner of Insurance
<input type="checkbox"/> FL	Chief Financial Officer # ^	<input type="checkbox"/> ND	Commissioner of Insurance # ^
<input type="checkbox"/> GA	Commissioner of Insurance and Safety Fire # and Resident Agent*	<input type="checkbox"/> OH	Resident Agent*
<input type="checkbox"/> GU	Commissioner of Insurance #	<input type="checkbox"/> OR	Resident Agent*
<input type="checkbox"/> HI	Insurance Commissioner # and Resident Agent*	<input type="checkbox"/> OK	Commissioner of Insurance #
<input type="checkbox"/> ID	Director of Insurance # ^	<input type="checkbox"/> PR	Commissioner of Insurance #
<input type="checkbox"/> IL	Director of Insurance #	<input type="checkbox"/> RI	Superintendent of Insurance # ^
<input type="checkbox"/> IN	Resident Agent* ^	<input type="checkbox"/> SC	Director of Insurance #
<input type="checkbox"/> IA	Commissioner of Insurance #	<input type="checkbox"/> SD	Director of Insurance # ^
<input type="checkbox"/> KS	Commissioner of Insurance #	<input type="checkbox"/> TN	Commissioner of Insurance #
<input type="checkbox"/> KY	Secretary of State #	<input type="checkbox"/> TX	Resident Agent*
<input type="checkbox"/> LA	Secretary of State #	<input type="checkbox"/> UT	Resident Agent* ^
<input type="checkbox"/> MD	Insurance Commissioner #	<input type="checkbox"/> VT	Resident Agent*
<input type="checkbox"/> ME	Resident Agent* ^	<input type="checkbox"/> VI	Lieutenant Governor/Commissioner#
<input type="checkbox"/> MI	Resident Agent *	<input type="checkbox"/> WA	Insurance Commissioner #
<input type="checkbox"/> MN	Commissioner of Commerce ~	<input type="checkbox"/> WV	Secretary of State # @
<input type="checkbox"/> MS	Commissioner of Insurance and Resident Agent* BOTH are required.	<input type="checkbox"/> WY	Commissioner of Insurance #

For the forwarding of Service of Process received by a State Officer complete Exhibit B listing by state the entities (one per state) with **full name and address where service of process is to be forwarded**. Use additional pages as necessary. Colorado will forward Service of Process to the Secretary of the Applicant Company and requires a resident agent for foreign entities. Exhibit not required for New Jersey, and North Carolina. Florida accepts only an individual as the entity and requires an email address. New Jersey allows but does not require a foreign insurer to designate a specific forwarding address on Exhibit B. SC will not forward to an individual by name; however, it will forward to a position, e.g., Attention: President (or Compliance Officer, etc.). Washington requires an email address on Exhibit B.

* Attach a completed Exhibit B listing the Resident Agent for the Applicant Company (one per state). Include state name, Resident Agent's **full name and street address**. Use additional pages as necessary. (DC* requires an agent within a ten-mile radius of the District), (MT requires an agent to reside or maintain a business in MT).

^ Initial pleadings only.

@ Form accepted only as part of a Uniform Certificate of Authority application.

MA will send the required form to the Applicant Company when the approval process reaches that point.

~ Minnesota does not forward Service of Process. To effectively serve the Commissioner of Commerce, use the process under Minn. Stat. § 45.028. Applicant Company may complete Exhibit B to provide a Service of Process address that Commerce may keep on file.

Exhibit A

**Uniform Certificate of Authority (UCAA)
Uniform Consent to Service of Process
Exhibit B**

Complete for each state indicated in Exhibit A:

State: _____ Name of Entity: _____

Phone Number: _____

Email Address: _____

Mailing Address: _____

Street Address: _____

State: _____ Name of Entity: _____

Phone Number: _____

Email Address: _____

Mailing Address: _____

Street Address: _____

State: _____ Name of Entity: _____

Phone Number: _____

Email Address: _____

Mailing Address: _____

Street Address: _____

State: _____ Name of Entity: _____

Phone Number: _____

Email Address: _____

Mailing Address: _____

Street Address: _____

State: _____ Name of Entity: _____

Phone Number: _____

Email Address: _____

Mailing Address: _____

Street Address: _____

Exhibit B

Resolution Authorizing Appointment of Attorney

BE IT RESOLVED by the Board of Directors or other governing body of

(Applicant Company Name)

this _____ day of _____, 20____, that the President or Secretary of said entity be and are hereby authorized by the Board of Directors and directed to sign and execute the Uniform Consent to Service of Process to give irrevocable consent that actions may be commenced against said entity in the proper court of _____ (Domestic State)_____.

in which the action shall arise, or in which plaintiff may reside, by service of process in the state(s) indicated above and irrevocably appoints the officer(s) of the state(s) and their successors in such offices or appoints the agent(s) so designated in the Uniform Consent to Service of Process and stipulate and agree that such service of process shall be taken and held in all courts to be as valid and binding as if due service had been made upon said entity according to the laws of said state.

CERTIFICATION:

I, _____, Secretary of

(Applicant Company Name)

state that this is a true and accurate copy of the resolution adopted effective the _____ day of _____, 20____ by the Board of Directors or governing board at a meeting held on the _____ day of _____, 20____ or by written consent dated _____ day of _____, 20____.

Date _____

Secretary

Applicant Company Name: _____

NAIC No. _____
FEIN: _____



CHANGE OF ADMINISTRATIVE/MAILING OFFICE ADDRESS/CONTACT NOTIFICATION FORM

ADMINISTRATIVE/MAILING OFFICE ADDRESS/CONTACT CHANGE

If there has been an administrative office or mailing address and/ or contact person change, please complete the following:

This form will notify the domiciliary regulator of administrative/ mailing office address changes or contact person changes applicable to the Applicant Company.

Catastrophe/Disaster Coordination Contact	A contact person for state departments to contact for information if there is a catastrophe or disaster.
Claim Information Contact	A contact person for the public to contact for claim information.
Consumer Complaints Contact	A contact person for state consumer complaint staff to contact for resolution of complaints filed with the state department.
Cybersecurity Contact	A contact person for the state departments to contact regarding data security and data breaches.
External Healthcare Review Contact	A contact person for state departments to initiate the external healthcare review process.
Form and/or Rate Filings Contact	A person for state departments to contact regarding issues on policy forms filings or rate filings.
Fraud Assessment Invoice Contact	A person for state departments to contact regarding issues of payment of fraud assessments.
Local Office in Domestic/Foreign State Contact	A person for the public or state departments to contact.
Managing General Agent	A person for the public or state departments to contact.
Market Conduct Contact	A person for state departments to contact regarding market conduct issues.
Market Conduct Annual Statement (MCAS) Contact	A contact person responsible for answering questions related to the MCAS.
Market Conduct Annual Statement (MCAS) Attestation #1 Contact	The primary contact person responsible for attesting to the accuracy and completeness of the MCAS.
Market Conduct Annual Statement (MCAS) Attestation #2 Contact	The secondary contact person responsible for attesting to the accuracy and completeness of the MCAS.
Policyholder Information Contact	A person for the public to contact.
Producer Licensing Contact (Appointment)	A person for state departments to contact regarding issues of producer licensing or appointments of agents.
Regulatory Compliance/Government Relations Contact	A person for state departments to contact on matters related to regulation but unrelated to public complaints filed with the state department.
Premium Tax Contact	A person for state departments to contact regarding issues of payment of premium tax.
Company Licenses/Fees Contact	A person for state departments to contact regarding issues of payment of license fees.
Deposits Contact	A person for state departments to contact regarding statutory deposits.

Applicant Company Name: _____

NAIC No. _____
FEIN: _____

U.S. Legal Counsel (for aliens)	A person for state departments to contact.
Annual Statement Contact	A contact person responsible for answering questions in the completion of the annual statement.
Company Administrative Office Address	A change to the administrative office address of the company.
Mailing Address	A change to the mailing address of the company.

NEW CONTACT

Contact Name: _____

Title: _____

Address: _____

Phone #: _____ Toll Free/Instate Phone #: _____

E-Mail Address: _____

Previous Contact Name (if changed): _____

Entity Name of MGA (if contact or address changed): _____

MGA email: _____

NEW ADMINISTRATIVE OFFICE ADDRESS

Address: _____

Suite/Mail Stop: _____

City: _____ State: _____ Postal Code: _____

Email: _____ Toll Free/Instate Phone #: _____

Main Administrative Office Phone Number: _____

NEW MAILING ADDRESS

Address: _____

Suite/Mail Stop: _____

City: _____ State: _____ Postal Code: _____

Email: _____ Toll Free/Instate Phone #: _____

Mailing Office Phone Number: _____

Signature of Preparer

Date of Preparation

Typed or Printed Name

Title of Preparer

Phone Number of Preparer

Email Address of Preparer

Applicant Name _____ NAIC No. _____
FEIN: _____



**Statement of Voluntary Dissolution
Summary of License Status in Non-Domicile States**

This statement is submitted to the Company's domestic state regulator to summarize how the Company has addressed its licensure in other states. Limit the information to those states in which a Certificate of Authority has been held within the last 10 years.

Certificate of Authority has been held from the states selected:

1. Provide date of approval of surrender of Certificate of Authority for the selected state(s).
If surrender is not in effect, please explain. (states listed should match Sch T) (a surrender date or explanation is required)

(State)	Tracking	(Date of Surrender)	Explanation

2. Do any policyholder obligations or contingent liabilities of the dissolving company exist in the selected state?

If Yes, an explanation is required:

3. Have all premium taxes, fees and other monetary obligations owed to the selected state(s) been paid?

If no, an explanation is required:

4. Does a state regulatory deposit exist in the selected state(s)?

If Yes, provide the amount and explain its purpose.

Applicant Name _____ NAIC No. _____
FEIN: _____



I acknowledge that I am an officer of the Company, am authorized to execute and am executing this document on behalf of the Company. I hereby certify under penalty of perjury under the laws of the applicable jurisdictions that all of the forgoing, including attachments, is true and correct as of the date of signature below.

Executed at _____
Location

_____	_____	_____
Date	Signature of Officer	Printed Name

	Title of Office	



DOMESTIC STATE CORPORATE AMENDMENTS

Existing insurers use the Uniform Certificate of Authority Corporate Amendment Application for requesting amendments to its Certificate of Authority. A Uniform State is one that is committed to using the Uniform Certificate of Authority (UCAA) review process for company licensing and admissions.

The Applicant Company can use the Corporate Amendment Application to file more than one change for the domiciliary state submission. The Applicant Company should select all applicable changes and submit all items required for those changes.

The following instructions contain a detailed explanation of the various requirements designed to assist in the completion and submission of the necessary documentation to obtain regulatory approval. The state's review process will be a comprehensive and detailed operational and financial review of the Applicant Company's business.

Corporate Amendments Application Review Process

The Corporate Amendment Application of the UCAA provides a uniform process for gaining the necessary regulatory approvals for modifications to an Applicant Company's Certificate of Authority. It is the goal of the Uniform State to process the Corporate Amendments Application within 60 calendar days of receipt.

Proprietary Information

Both regulators and the Applicant Company should note that the Applicant Company might deem confidential any communications with insurance regulatory agencies in conjunction with the Corporate Amendment Application concerning proprietary information about the Applicant Company. States may only share information determined to be confidential with other persons as authorized by law. By law, the state will not disclose to the public any information determined to be proprietary and trade secret. The Applicant Company needs to expressly identify all information in the application and in any subsequent correspondence that the Applicant Company considers proprietary or trade secret.

The [UCAA homepage](#) contains the requirements and filing process for the Corporate Amendment Application. Contact the appropriate state regulators with any questions before filing any Uniform Application. State contact information can be found on the [Addresses and Contact Information for Submission of Application chart](#). The UCAA webpage will be reconfigured, once completed the file locations will be updated.



Step One: Filing the Application **Processing Goal: 2 Weeks**

An Applicant Company may submit Corporate Amendment Applications anytime during the year. The state immediately reviews the application to ensure that all required information is provided as outlined in the instructions.

Generally, within two weeks from the date that the application is received, the state will update the status in the electronic application and assign the application to a lead reviewer. The lead reviewer will be identified on the summary detail of the application.

The state will contact the Applicant Company if it does not accept the application for filing due to a deficiency in the application via a Request for Information (RFI) in the electronic application. Depending upon the nature of the deficiency, the state may give the Applicant Company two weeks from the date of the RFI to correct the deficiency. Some states may notify the Applicant Company of any applications that are deficient and not accepted for filing. Electronic applications that are not accepted by the state should be withdrawn by the Applicant Company.

Step Two: Application Review **Processing Goal: 60 Days**

A Corporate Amendment Application will undergo a rigorous financial and operational review in the application state. While the goal of each state is to complete this review in 60 days, the state cannot guarantee this time frame. Due to varying levels of resources available in each state or if the state needs additional information, the 60-day goal may not be attainable. The purpose of the Corporate Amendment Application is to streamline the application process and the states will make every effort to process a Corporate Amendment Application as quickly as possible.

At the conclusion of the substantive review the domiciliary state will grant the Applicant Company an amendment to the Certificate of Authority, allow the Applicant Company to withdraw the application, or will deny the application.

If the state deems the application incomplete, the Applicant Company will be automatically notified when the state provides a status and a detailed explanation via the RFI. The Applicant Company can amend or withdrawal their application, a detailed explanation is required for either option. If withdrawn, the Applicant Company may wish to re-file a Corporate Amendment Application at a later date. A new application and filing fee will be required for the new filing.

How to File

Refer to the [State-Specific Information](#). States that have provided their state specific requirements for domestic companies will be incorporated into the electronic application.

1. [Communication Between Applicant Company and Agency](#)



2. [Questions](#)
3. [Application and Supporting Documents](#)
4. [Updates/Changes](#)
5. [Filing Fee](#)
6. [State-Specific Information](#)

1. Communication Between Applicant Company and Agency

Once a state accepts a Corporate Amendment Application for filing, the filing will be forwarded to the assigned analyst (Lead Reviewer).

Before receiving the name of the lead reviewer, an Applicant Company may contact, via the (RFI) link, before assignment all RFI's will be automatically directed to the state application coordinator or company licensing manager to obtain information regarding the status of a Corporate Amendment Application.

2. Questions

Section I through Section IX, Filing Requirements, provide detailed guidelines regarding the information required for the Corporate Amendment Application. For additional information, or clarification, the Applicant Company should review the [State Requirement charts](#) and [FAQs](#) prior to contacting the state.

3. Application and Supporting Documents

- All applicable forms are provided for the change type(s) selected.

4. Updates/Changes

The Applicant Company is responsible for informing states of any significant changes that occur or that the Applicant Company discovers during the application review period. Examples of significant changes include changes in officers and directors, material acquisition or disposal of assets, changes in reinsurance, acquisition of the insurer, regulatory actions taken against the insurer, change in current business plan or corporate structure, etc.

The Applicant Company must supply amended forms promptly if any changes occur which materially affect the accuracy of the forms originally submitted in the application. The updated attachments can be submitted via an RFI or an amended application. .

5. Filing Fee

Please see [Filing Fees - Corporate Amendments chart](#) and [Filing Fees Matrix - Corporate Amendments chart](#), located on the UCAA website, to determine the correct fee and filing instructions for the application state. Where indicated, checks will need to be mailed directly to



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the application state. Refer to the appropriate state chart for mailing instructions. Include a copy of the completed Checklist for reference to the electronic application tracking number.

6. State-Specific Information

Some jurisdictions may have additional requirements that the Applicant Company must meet before the state can issue an amended Certificate of Authority. Before completing a UCAA Corporate Amendment Application the Applicant Company should be familiar with its domiciliary state requirements which are located under [State-Specific Requirements](#) on the UCAA website. Some states may have their state specific requirements incorporated into the electronic application.

Electronic Portal

The Applicant Company must first obtain a User ID and password. The individual completing the application on behalf of the Applicant Company must obtain approval from either the Corporate Secretary or General Counsel of the Applicant Company. If the Applicant Company is part of a Holding Company Structure, the User may associate multiple companies within the group to their User ID. Only one ID is allowed per individual.

A [User Guide](#) is provided as a guide for utilizing the electronic application. Tooltips are incorporated into the electronic application.

The UCAA Corporate Amendment Application has nine domiciliary change types (sections) designed to guide the Applicant Company through the licensing process.

- I. [Adding Lines of Business Filing Requirements](#)
- II. [Deleting Lines of Business Filing Requirements](#)
- III. [Name Change Filing Requirements](#)
- IV. Change of Company Structure Filing Requirements
- V. [Change of Statutory Home Office Address Filing Requirements](#)
- VI. [Amended Articles of Incorporation](#)
- VII. [Amended Bylaws](#)
- VIII. [Change of Administrative Address/Contact Notification Filing Requirement](#)
- IX. Statement of Voluntary Dissolution

Corporate Amendments Application Section I Filing Requirements - Adding Lines of Business

This section provides a guide to understanding the focus of each change type of the Corporate Amendment Application. However, there typically are multiple purposes for documents. Therefore, it is important that applications be complete.



All required forms are provided for the application change type selected, therefore it is important to read the instructions prior to starting an electronic filing to ensure the necessary corporate amendment change type is selected and the appropriate forms are provided.

Table of Contents/ Application Requirements

1. [Application Form and Attachments](#)
2. [Filing Fee](#)
3. [Articles of Incorporation](#)
4. [Bylaws](#)
5. [Minimum Capital and Surplus Requirements](#)
6. [Plan of Operation](#)
7. [Statutory Membership\(s\)](#)
8. [State-Specific Information](#)

1. Application Form and Attachments

The application must identify all lines of insurance (Form 3) that the Applicant Company is currently authorized to transact and specify the lines of authority to add to an existing Certificate of Authority, as identified in the plan of operation (Form 8, Form 13 and Narrative). A cover letter may be included and if required, the Applicant Company's original Certificate of Authority or an Affidavit of Lost Certificate of Authority (Form 15),

2. Filing Fee

The application will generate an invoice based on the change type selected and state specific requirements provided and be submitted to the application state, unless specified that the state prefers to send a separate invoice. The payee name and the instructions for submitting the filing fee are included in the [Filing Fees - Corporate Amendments](#) chart. Upload a copy of the Applicant Company's check and reference the electronic application tracking number.

3. Articles of Incorporation

Indicate the location of the language within the Articles of Incorporation that allows the Applicant Company to write this line (e.g., page number, section number, etc., of the Articles of Incorporation). In addition:

- If the Articles of Incorporation have changed because of this application, file the amended Articles of Incorporation.
If the Articles of Incorporation most recently filed in the application state have not changed because of this application, do not file the Articles of Incorporation. Simply state that the current Articles of Incorporation are already on file in the application state.



4. Bylaws

The Applicant Company should have previously filed the most current version of their bylaws.

- If the bylaws have changed because of this application, file the amended bylaws.
- If the bylaws most recently filed in the application state have not changed because of this application, do not file the bylaws. Simply state that the current bylaws are already on file in the application state.

5. Minimum Capital and Surplus Requirements

The application will need to show that the Applicant Company meets the state's statutory minimum capital and surplus requirements for the requested amendment to its Certificate of Authority. In some states, the minimum capital and surplus requirements are determined by the classes of insurance that the Applicant Company is requesting authority to transact. The state will determine the level of surplus required after considering the Applicant Company's product line, operating record and financial condition. Compliance with the statutorily prescribed minimum surplus requirement may not be sufficient for all Applicant Companies. The [Minimum Capital and Surplus Requirements](#) chart identifies the minimum capital and surplus requirements for each Uniform State. This chart also provides a contact person or a link to a state-specific format or RBC requirements and instructions. Submit an explanation of the Applicant Company's compliance with the capital and surplus requirements.

6. Plan of Operation

The Plan of Operation has three components, a brief narrative, proforma financial statements/projections (Form 13) and a completed Questionnaire ([Form 8D](#)). The narrative should include significant information not captured as a part of the Questionnaire that the Applicant Company submits in support of the application. The proforma is one of three (3) components in the Plan of Operation. The forms are located under the Corporate Amendment tab. There is a proforma for Life, Property/Casualty, Health and Title companies. Provide a company-wide, three-year proforma balance sheet and income statement. The proforma workbook should be the same business type as the financial statement blank filed with the NAIC. For the lines requested, provide three-year premium and loss projections by line of business for the application state. Projections must support all aspects of the proposed Plan of Operation, including reinsurance arrangements and any delegated function agreements. Include the assumptions used to arrive at these projections.

The proforma when applied to the Corporate Amendment application is projected data. As such, the projected amounts need not balance with historical NAIC financial filings. The projected data, however, should be relevant to the Company's history of growth and losses as contemplated by the NAIC *Accounting Practices and Procedures Manual*.



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The proforma should be completed by statutory accounting and financial reporting professionals that should be available to answer any questions or concerns from reviewing regulatory staff. The proforma is completed on an annual basis, typically for a three-year time period, however, some state may require five years. The proforma balance sheet should also include the authorized control level amount to calculate the Risk-Based Capital ratio for each projected year. The proforma should start with the first full year of operation that the Applicant Company anticipates actively writing business in the state receiving the application. When preparing a five-year projection, two proforma excel workbooks can be submitted.

The proforma (Form 13) is also located in the Forms Section under each application tab on the UCAA website. Submit the narrative and completed proforma and all attachments.

7. Statutory Memberships

In some states, the Applicant Company is required to join one or more rating, guarantee or other organizations before transacting insurance. Generally, the Applicant Company's authorized lines of insurance govern statutorily mandated memberships. The [Statutory Membership Requirements](#) chart provides the list of statutory memberships that may be required before transacting insurance. Submit documentation supporting membership application(s), in states where required.

8. State-Specific Information

Some jurisdictions may have additional requirements that the Applicant Company must meet before the state can amend a Certificate of Authority. Before completing a UCAA Corporate Amendment Application, the Applicant Company should review the listing of requirements on the [State-Specific requirements](#) for its state of domicile. Some states may include their state specific requirements into the electronic application. Statutory Deposit may be increased due to a change in the lines of business, the state will notify the Applicant Company if deposit adjustments are required.

If your domiciliary state requires that the certificate of authority be returned, mail that directly to the state and provide a copy in the jurisdiction requirement section of the electronic application or upload an affidavit of lost certificate of authority.

Some jurisdictions may require a copy of the Form D, post licensure for affiliated parties involved in the marketing, underwriting, servicing, administration, premium financing, claims adjustment or claims payment.

Some jurisdictions may require a copy of the variable annuity prospectus expected to be filed with the SEC.



Corporate Amendments Application Section II Filing Requirements Deleting Lines of Business

This section provides a guide to understanding the focus of each change type of the Corporate Amendment Application. However, there typically are multiple purposes for documents. Therefore, it is important that applications be complete.

All required forms are provided for the application change type selected, therefore it is important to read the instructions prior to starting an electronic filing to ensure the necessary corporate amendment change type is selected and the appropriate forms are provided.

Table of Contents/ Application Requirements

1. [Application Form and Attachments](#)
2. [Filing Fee](#)
3. [Articles of Incorporation](#)
4. [Bylaws](#)
5. [Minimum Capital and Surplus Requirements](#)
6. [Plan of Operation](#)
7. [Statutory Membership\(s\)](#)
8. [State-Specific Information](#)

1. Application Form and Attachments

The application must identify all lines of insurance that the Applicant Company is currently authorized to transact and specify the lines of authority to delete from an existing Certificate of Authority, as identified in the plan of operation. [The Applicant Company should also provide the lines of authority for its foreign states to ensure that the requested lines to be deleted are not currently being written in a foreign state. A cover letter may be included and if required, the Applicant Company's original Certificate of Authority or an Affidavit of Lost Certificate of Authority \(Form 15\).](#)

2. Filing Fee

The application will generate an invoice based on the change type selected and state specific requirements submitted to the application state, unless specified that the state prefers to send a separate invoice. The payee name and the instructions for submitting the filing fee are included in the [Filing Fees - Corporate Amendments](#) chart. Upload a copy of the Applicant Company's check and reference the electronic application tracking number.

3. Articles of Incorporation



Indicate the location of the language within the Articles of Incorporation that allows the Applicant Company to write this line (e.g., page number, section number, etc., of the Articles of Incorporation). In addition:

- If the Articles of Incorporation have changed because of this application, file the amended Articles of Incorporation.

If the Articles of Incorporation most recently filed in the application state have not changed because of this application, do not file the Articles of Incorporation. Simply state that the current Articles of Incorporation are already on file in the application state.

4. Bylaws

The Applicant Company should have previously filed the most current version of their bylaws.

- If the bylaws have changed because of this application, file the amended bylaws.
- If the bylaws most recently filed in the application state have not changed because of this application, do not file the bylaws. Simply state that the current bylaws are already on file in the application state.

5. Minimum Capital and Surplus Requirements

The application will need to show that the Applicant Company meets the state's statutory minimum capital and surplus requirements for the requested amendment to its Certificate of Authority. In some states, the minimum capital and surplus requirements are determined by the classes of insurance that the Applicant Company is requesting authority to transact. The state will determine the level of surplus required after considering the Applicant Company's product line, operating record and financial condition. Compliance with the statutorily prescribed minimum surplus requirement may not be sufficient for all Applicant Companies. The [Minimum Capital and Surplus Requirements](#) chart identifies the minimum capital and surplus requirements for each Uniform State. This chart also provides a contact person or a link to a state-specific format or RBC requirements and instructions. Submit an explanation of the Applicant Company's compliance with the capital and surplus requirements.



6. Plan of Operation

The Plan of Operation has three components, a brief narrative, proforma financial statements/projections (Form 13) and a completed Questionnaire ([Form 8D](#)).

Complete [Form 8D](#) documenting the following:

- a. Utilizing the information contained in [Form 3](#), list all of the lines of business that the Applicant Company is requesting to delete from its Certificate of Authority.
- b. Provide a detailed explanation for the Applicant Company's request to delete these lines of business.
- c. For the state, indicate the number of policyholders by line of business that will be non-renewed or cancelled if the state approves the Applicant Company's request to delete lines of business.

The UCCA website contains a [Deleting Lines of Business Requirements](#) chart of individual state requirements. Provide documentation that complies with all requirements for removal of lines of business from the Certificate of Authority. The Applicant Company should notify the foreign state(s) if a line of business has been requested to be deleted from their domiciliary state's certificate of authority. **The domiciliary state will not approve the removal of any lines of business that are currently being written in a foreign state.**

The [Narrative](#) should include significant information not captured as a part of the Questionnaire that the Applicant Company submits in support of the application. The proforma is one of three (3) components in the Plan of Operation. The forms are located under the Corporate Amendment tab. There is a proforma for Life, Property/Casualty, Health and Title companies. Provide a company-wide, three-year proforma balance sheet and income statement. The proforma workbook should be the same business type as the financial statement blank filed with the NAIC. For the lines requested, provide three-year premium and loss projections by line of business for the application state. Projections must support all aspects of the proposed Plan of Operation, including reinsurance arrangements and any delegated function agreements. Include the assumptions used to arrive at these projections.

The proforma when applied to the Corporate Amendment application is projected data. As such, the projected amounts need not balance with historical NAIC financial filings. The projected data, however, should be relevant to the Company's history of growth and losses as contemplated by the NAIC *Accounting Practices and Procedures Manual*.

The proforma should be completed by statutory accounting and financial reporting professionals that should be available to answer any questions or concerns from reviewing regulatory staff. The proforma is completed on an annual basis, typically for a three-year time period, however, some state may require five years. The proforma balance sheet should also include the authorized control level amount to calculate the Risk-Based Capital ratio for each projected year. The proforma should start with the first full year of operation that the Applicant Company anticipates



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actively writing business in the state receiving the application. When preparing a five-year projection, two proforma excel workbooks can be submitted.

The proforma (Form 13) is also located in the Forms Section under each application tab on the UCAA website. Submit the narrative and completed proforma and all attachments.

7. Statutory Memberships

In some states, the Applicant Company is required to join one or more rating, guarantee or other organizations before transacting insurance. Generally, the Applicant Company's authorized lines of insurance govern statutorily mandated memberships. The [Statutory Membership Requirements](#) chart provides the list of statutory memberships that may be required before transacting insurance. Submit documentation supporting membership application(s), in states where required.

8. State-Specific Information

Some jurisdictions may have additional requirements that the Applicant Company must meet before the state can amend a Certificate of Authority. Before completing a UCAA Corporate Amendment Application, the Applicant Company should review the listing of requirements on the [State-Specific requirements](#) for its state of domicile. Some states may include their state specific requirements into the electronic application.

[If required, the certificate of authority should be returned and a copy provided in the Jurisdiction Requirements, or attach an Affidavit of Lost Certificate of Authority \(Form 15\).](#)

Corporate Amendments Application Section III Filing Requirements (Name Change)

All required forms pertaining to a name change are automatically provided when this change type is selected.

Table of Contents/ Application Requirements

1. [Application Form and Attachments](#)
2. [Filing Fee](#)
3. [Articles of Incorporation](#)
4. [Bylaws](#)
5. [Service of Process](#)
6. [State-Specific Information](#)
7. [Name Approval](#)

1. Application Form and Attachments



A cover letter may be included and if required, the Applicant Company's original Certificate of Authority or an Affidavit of Lost Certificate of Authority (Form 15),

2. Filing Fee

The application will generate an invoice based on the change type selected and state specific requirements provided and submit to the domiciliary state, unless the state prefers to send a separate invoice. . The payee name and the instructions for submitting the filing fee are included in the [Filing Fees - Corporate Amendments](#) chart. Attach a copy of the Applicant Company's check if the state does not accept electronic filing fees. Reference the electronic application tracking number with the payment.

3. Articles of Incorporation

Indicate the location of the language within the Articles of Incorporation that reflects the new name (e.g., page number, section number, etc., of the Articles of Incorporation). In addition:

- If the Articles of Incorporation have changed because of this application, file the amended Articles of Incorporation.
- If the Articles of Incorporation most recently filed in the application state have not changed because of this application, do not file the Articles of Incorporation. Simply state that the current Articles of Incorporation are already on file in the application state.

4. Bylaws

The Applicant Company should have previously filed the most current version of their bylaws.

- If the bylaws have changed because of this application, file the amended bylaws.
- If the bylaws most recently filed in the application state have not changed because of this application, do not file the bylaws. Simply state that the current bylaws are already on file in the application state.

5. Service of Process

An electronically executed UCAA Service of Process ([Form 12](#)) may be required for this change type or see [state-specific requirements](#).

6. State-Specific Information

Some jurisdictions may have additional requirements that the Applicant Company must meet before the state can amend a Certificate of Authority. Before completing a UCAA Corporate Amendment Application, the Applicant Company should review a listing of requirements for its



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domiciliary state.. [State-specific requirements](#) are located on the UCAA website. Some states may incorporate those state specific requirements into the electronic application.

8. Name Approval

Each state has different guidelines and procedures for name approval. The [Name Approval Requirements](#) chart is intended to serve as a guide for the various name approval requirements of each Uniform State. The Applicant Company should check with each state separately to ensure compliance with all applicable name approval requirements. Where applicable, submit evidence of the name approval request.

Automatic notification will be provided to the NAIC once the domiciliary state approves the name change. Verify that the NAIC has completed the name change prior to preparation of any foreign state(s) electronic application. Email confirmation to: jheinz@naic.org.

Corporate Amendments Application Section IV Filing Requirements (Change of Company Structure)

Table of Contents/ Filing Requirements

1. [Application Form and Attachments](#)
2. [Filing Fee](#)
3. [Articles of Incorporation](#)
4. [Bylaws](#)
5. [State-Specific Information](#)

1. Application Form and Attachments

A cover letter may be included with the Applicant Company's original Certificate of Authority or an Affidavit of Lost Certificate of Authority ([Form 15](#)), if required. All required forms and attachment buttons will be provided in the electronic application for the change type selected.

2. Filing Fee

The application will need to include a filing fee for the application state. The payee name and the instructions for submitting the filing fee are included in the [Filing Fees - Corporate Amendments](#) chart. Checks will need to be mailed directly to the application state, if your domiciliary state does not accept electronic fees. Reference the electronic application tracking number with your payment.



3. Articles of Incorporation

Indicate the location of the language within the Articles of Incorporation that reflects the change to the corporate structure of the Applicant Company. (e.g., page number, section number, etc., of the Articles of Incorporation). In addition:

- If the Articles of Incorporation have changed because of this application, file the amended Articles of Incorporation.
- If the Articles of Incorporation most recently filed in the application state have not changed because of this application, do not file the Articles of Incorporation. Simply state that the current Articles of Incorporation are already on file in the application state.

4. Bylaws

The Applicant Company should have previously filed the most current version of their bylaws.

- If the bylaws have changed because of this application, file the amended bylaws.
- If the bylaws most recently filed in the application state have not changed because of this application, do not file the bylaws. Simply state that the current bylaws are already on file in the application state.

5 Jurisdiction Requirements

Some jurisdictions may have [State-Specific Requirements](#) that the Applicant Company must meet before the state can amend a Certificate of Authority. Before completing a UCAA Corporate Amendment Application, the Applicant Company should review a listing of requirements for their domiciliary state. Completed the optional Form 14, if contact address information has changed because of this application.

Corporate Amendments Application Section V Filing Requirements (Change of Statutory Home Office Address)

Table of Contents/ Filing Requirements

1. [Application Form and Attachments](#)
2. [Filing Fee](#)
3. [Articles of Incorporation](#)
4. [Bylaws](#)
5. [Service of Process](#)
6. [State-Specific Information](#)



1. Application Form and Attachments

A cover letter may be included with the Applicant Company's original Certificate of Authority or an Affidavit of Lost Certificate of Authority ([Form 15](#)), if required. All required forms and attachment buttons are provided in the electronic application for the change type selected.

2. Filing Fee

The application will need to include a filing fee for the application state. The payee name and the instructions for submitting the filing fee are included in the [Filing Fees - Corporate Amendments](#) chart. Checks will need to be mailed directly to the application state, if your domiciliary state does not accept electronic fees. Reference the electronic application tracking number with your payment.

3. Articles of Incorporation

Indicate the location of the language within the Articles of Incorporation that reflects the change in corporate structure of the Applicant Company (e.g., page number, section number, etc., of the Articles of Incorporation). In addition:

- If the Articles of Incorporation have changed because of this application, file the amended Articles of Incorporation.
- If the Articles of Incorporation most recently filed in the application state have not changed because of this application, do not file the Articles of Incorporation. Simply state that the current Articles of Incorporation are already on file in the application state.

4. Bylaws

The Applicant Company should have previously filed the most current version of their bylaws.

- If the bylaws have changed because of this application, file the amended bylaws.
- If the bylaws most recently filed in the application state have not changed because of this application, do not file the bylaws. Simply state that the current bylaws are already on file in the application state.

5. Service of Process

An executed UCAA Service of Process form ([Form 12](#)) may be required or [State-Specific Requirements](#). [Jurisdiction-Specific Requirements](#).

6. [Jurisdiction](#)-Specific Information



Some jurisdictions may have [State-Specific Requirements](#) that the Applicant Company must meet before the state can amend a Certificate of Authority. Before completing a UCAA Corporate Amendment Application, the Applicant Company should review a listing of requirements for their domiciliary state. Completed the optional Form 14, if contact address information has changed because of this application.

Corporate Amendments Application Section VI Filing Requirements (Amended Articles of Incorporation)

Table of Contents / Filing Requirements

1. [Application Form and Attachments](#)
2. [Filing Fee](#)
3. [Articles of Incorporation](#)
4. [Bylaws](#)
5. [State-Specific Information](#)

1. Application Form and Attachments

A cover letter may be included with the Applicant Company's original Certificate of Authority or an Affidavit of Lost Certificate of Authority ([Form 15](#)), if required. All required forms and attachment buttons are provided in the electronic application for the change type selected.

2. Filing Fee

The application will need to include a filing fee for the state to which the Applicant Company is submitting. The payee name and the instructions for submitting the filing fee are included in the: [Filing Fees - Corporate Amendments](#) chart on the UCAA website. Submit a copy of the Applicant Company's check, reference the electronic application tracking number with your payment.

3. Articles of Incorporation

Indicate the location of the language within the Articles of Incorporation that reflects the change (e.g., page number, section number, etc., of the Articles of Incorporation).

4. Bylaws

The Applicant Company should have previously filed the most current version of their bylaws.

- If the bylaws have changed as a result of this application, file the amended bylaws.



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- If the most recently filed (in the state in which application is being made) bylaws have not changed as a result of this application, do not file the bylaws. Simply state that the current bylaws are already on file in the state to which this application relates.

5. State-Specific Information

Some jurisdictions may have additional requirements that must be met before a Certificate of Authority can be amended. Before completing a UCAA Corporate Amendment Application, the Applicant Company should review a listing of requirements for the state(s) in which application is being made.

Corporate Amendments Application Section VII Filing Requirements (Amended Bylaws)

Table of Contents /Filing Requirements

1. [Application Form and Attachments](#)
2. [Filing Fee](#)
3. [Bylaws](#)
4. [State of Domicile Approval](#)
5. [State-Specific Information](#)

1. Application Form and Attachments

A cover letter may be included with the Applicant Company's original Certificate of Authority or an Affidavit of Lost Certificate of Authority ([Form 15](#)), if required. All required forms and attachment buttons are provided in the electronic application for the change type selected.

2. Filing Fee

The application will need to include a filing fee for the state to which the Applicant Company is submitting. The payee name and the instructions for submitting the filing fee are included in the [Filing Fees - Corporate Amendments](#) chart on the UCAA website. For electronic filings, checks will need to be mailed directly to the application state, reference the electronic application tracking number with your payment.

3. Bylaws

Indicate the location of the language within the bylaws that reflects the change (e.g., page number, section number, etc., of the bylaws).

5. State-Specific Information



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Some jurisdictions may have additional requirements that must be met before a Certificate of Authority can be amended. Before completing a UCAA Corporate Amendment Application, the Applicant Company should review a list of requirements for the state in which application is being made.

The following applications are considered stand-alone applications.

**Corporate Amendments Application Section VIII
Filing Requirements (Change of Mailing/Administrative Office Address/Contact Notification)**

Instructions

The Applicant Company should complete the Corporate Amendment Application Section VII as a courtesy filing in conjunction with other changes or to notify regulatory officials of an administrative office or mailing address changes or contact person changes applicable to the Applicant Company. For electronic filings, this change is submitted separately (stand-alone) or in conjunction with any other change type.

Table of Contents / Filing Requirements

1. [Application Form and Attachments](#)
2. [State-Specific Information](#)

1. Application Form and Attachments - Item 1 of Application

The Change of Administrative Office Address/Contact Notification is used to update contact information or administrative office address information and does not require an approval. Submit a completed Change of Mailing/Administrative Office Address/Contact Notification ([Form 14](#)).

2. State-Specific Information - Item 2 of Application

The Applicant Company should review the [State-specific requirements](#) for the application state.

**Corporate Amendments Application Section IX
Filing Requirements (Uniform Consent to Service of Process)**

This section provides a guide to understanding the focus of a stand-alone Uniform Consent to Service of Process Application. It is important that the application be complete.

Please [contact the states individually](#) if there are questions about a specific document that is not noted under the state specific instructions on the UCAA website.



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The electronic stand-alone application is located under the [Electronic Application](#) link on the UCAA web site and requires a user ID and password to access.

Please read the following Instructions before proceeding in completing Corporate Amendment Application Section IX.

Instructions

The Applicant Company can complete the Uniform Consent to Service of Process Application as a stand-alone filing or in conjunction with any other Corporate Amendment Application via the electronic application where a service of process form is required to notify regulatory officials of service of process changes to the Applicant Company.

Table of Contents /Filing Requirements

1. [Application Form and Attachments](#)
2. [Filing Fee](#)
3. [State-Specific Information](#)

1. Uniform Consent to Service of Process Form

The Uniform Consent to Service of Process is located on the UCAA website. Submit a completed Uniform Consent to Service of Process ([Form 12](#)) via the electronic stand-alone application process.

2. Filing Fee

The application will need to include a filing fee if required by the application state. Check the Corporate Amendment Filing Fee chart /Filing Fee Matrix on the UCAA website or contact the application state for filing requirements. If retaliatory, verify fee information via the State [Retaliatory Information](#) link. Submit a copy of the Applicant Company's check. For electronic filings, the fees should reference the electronic filing's tracking number.

3. State-Specific Information

Some jurisdictions may have additional requirements that the Applicant Company must meet before the state can accept the amended Consent to Service of Process form. Before completing a UCAA Uniform Consent to Service of Process Application, the Applicant Company should review the listing of [State-Specific Requirements](#) for the application state.



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Corporate Amendments Application Section X Filing Requirements (Statement of Voluntary Dissolution)

This section provides a guide to understanding the purpose of completing the statement of voluntary dissolution. This courtesy filing does not require approval but should be provided when the Applicant Company is exiting the marketplace. This form is also available for [Risk Retention Group registrations](#).

This form should be completed by those reporting entities that are ending their existence in all states. The Applicant Company should complete Form 16a or 16b and submit to the domicile state when requesting dissolution or cancellation of the Certificate of Authority and may also be requested by non-domiciliary states when requesting cancellation of the foreign Certificate of Authority (Form 17 Statement of Withdraw). The purpose of the form is to provide information about the status of all foreign Certificates of Authority and any obligations that are still present in those states.

Table of Contents /Filing Requirements/Columns

- [1. List state\(s\) where certificate of authority has been held.](#)
- [2. Approval date for the surrender of the Certificate of Authority.](#)
- [3. Policyholder obligations or contingent liabilities.](#)
- [4. Status of premium taxes, fees and other monetary obligations to the foreign state.](#)
- [5. State deposits, amount and purpose.](#)

1. Certificate of Authority has been held from the states listed below

List each state from which the entity has held a certificate of authority during the last 10 years. Include states where a certificate of authority had been issued and surrendered within the 10-year period. For Risk Retention Groups-list each state from which the entity has registered during the last 10 years. Include states where a registration had been issued and surrendered within the 10-year period.

2. Approval date of surrender of Certificate of Authority by state

Report the date that the state department of insurance approved the surrender or cancellation of the Certificate of Authority in that state. For Risk Retention Groups – report the date of registration cancellation by state.

3. Policyholder obligations or contingent liabilities

Report any kind of obligation that exists on the date of the signature on this form which is related to the policies or contracts issued by the entity or RRG. Include claim obligations, loss adjustment expenses, involuntary reinsurance pool obligations and any other unpaid charges that arise from policies or contracts written in that state or that are expected to arise from the policy or contract activities of the entity or RRG in that state. Estimate the amount if the actual amount is not known.

4. Premium taxes, fees and other monetary obligations owed to the foreign state



Report any other obligations that exist on the date of the signature on this form. Include taxes, fees, assessments, creditor obligations and any other unpaid charges that arise from that state or that are expected to arise from the operations of the entity or RRG in that state. Estimate the amount if the actual amount is not known.

5. State Deposit

Report the amount of any statutory or regulatory deposit that exists in the state on the date of the signature on this form. Explain the reason for the deposit, if known.

Applicant Company Name: _____ NAIC Cocode: _____
FEIN: _____

**Uniform Certificate of Authority Application (UCAA)
Redomestication Application**

To the Insurance Commissioner/Director/Superintendent of the State of:
(Select the appropriate state in which the Applicant Company is applying.)

Drop-down menu with the state list.

The undersigned Applicant Company hereby certifies that the classes of insurance as indicated on the Lines of Insurance, Form 3, are the lines of business which the Applicant Company is (a) currently authorized for transaction, (b) currently transacted and (c) which the Applicant Company is applying to transact.

Applicant Company Name:			
NAIC Cocode:		Group Code: (If Applicable)	

Home Office Address:	
----------------------	--

Administrative Office Address:	
--------------------------------	--

Mailing Address:	
------------------	--

Are these addresses the same as those shown on the Applicant Company's Annual Statement?

Yes ☐ No ☐

If not, indicate why:

Attachment Button

Phone:	
Fax:	
Date Incorporated:	
Form of Organization:	
Date Organized:	

Country of Domicile:	
(If Applicable)	

	Original	Last Amendment
Date of Charter		
Date of Bylaws		
Date of Subscriber's Agreement		
Date of Last Market Conduct Examination:		
Date of Last Financial Examination:		

Par Value of Issued Stock:	\$
Surplus as regards policyholders:	\$
Certificate of Deposit (Prior State)	

Ultimate Owner/Holding Company:	
--	--

Applicant Company Name: _____ NAIC Cocode: _____
FEIN: _____

Billing Address:			
E-Mail Address:	Phone:	Fax:	

Premium Tax Statement Address:			
E-Mail Address:	Phone:	Fax:	

Producer Licensing Address:			
E-Mail Address:	Phone:	Fax:	

Rate/Form Filing Address:			
E-Mail Address:	Phone:	Fax:	

Consumer Affairs Address:			
E-Mail Address:	Phone:	Fax:	

Has the Applicant Company ever been refused admission to this or any other state prior to the date of this application?

Yes ☐ No ☐

If yes, give full explanation in an attached letter.

Attachment Button

The Applicant Company hereby designates (name natural persons only) _____, to appoint persons and entities to act as and to be licensed as agents in the State of _____, and to terminate the said appointments.

NOTE: This does not apply to those states that do not require appointments

The following information is required of the individual who is authorized to represent the Applicant Company before the department.

Name:			
Title:			
Mailing Address:			
E-Mail Address:	Phone:	Fax:	

If the representative is not employed by the Applicant Company, please provide a company contact person in order to facilitate requests for detailed financial information.

Name:			
Title:			
Mailing Address:			
E-Mail Address:	Phone:	Fax:	

Applicant Company Name: _____ NAIC Cocode: _____
FEIN: _____

Applicant Company Incorporators' Certification and Attestation

One of the officers (listed below) of the Applicant Company must read the following very carefully:

1. I hereby certify, under penalty of perjury, that I have read the application, that I am familiar with its contents, and that all of the information, including the attachments, submitted in this application is true and complete. I am aware that submitting false information or omitting pertinent or material information in connection with this application is grounds for license discipline or other administrative action and may subject me or the Applicant Company, or both, to civil or criminal penalties.
2. I acknowledge that I am familiar with the insurance laws and regulations of said state, accept the Constitution of such state, in which the Applicant Company is licensed or to which the Applicant Company is applying for licensure.
3. I acknowledge that I am the _____ of the Applicant Company, am authorized to execute and am executing this document on behalf of the Applicant Company.
4. I hereby certify under penalty of perjury under the laws of the applicable jurisdictions that all of the forgoing is true and correct, executed this _____ at _____.

Date

Electronic Signature of President

Full Legal Name of President

Date

Electronic Signature of Secretary

Full Legal Name of Secretary

Date

Electronic Signature of Treasurer

Full Legal Name of Treasurer

Electronic Name of Applicant Company

Date

Electronic Signature of Witness

Full Legal Name of Witness

Applicant Company Name: ###ApplicantCompanyNameHeader###
FEIN: ###fein###
Tracking Number: ###trackingNumber###



REDOMESTICATION APPLICATION

To the Insurance Commissioner/Director/Superintendent of ###jurisdiction###,

The undersigned Applicant Company hereby certifies that the classes of insurance as indicated on the Lines of Insurance, Form 3P, are the lines of business which the Applicant Company is applying to transact.

CONTACTS

Authorized Individual

Full Legal Name: ###authorizedIndvName###
Title: ###authorizedIndvTitle###
Address: ###authIndvaddress###
Email: ###authIndvEmail###
Phone: ###authIndvPhone###

Is the authorized representative an employee of the applicant company: ###isAuthorizedRepEmployee###

Financial Information

Full Legal Name: ###financialContactName###
Address: ###financialContactAddress###
Email: ###financialContactEmail###
Phone: ###financialContactPhone###

Designee

Full Legal Name: ###designeeName###

APPLICATION

Applicant Company Name: ###ApplicantCompanyNameHeader###

FEIN: ###fein###

Tracking Number: ###trackingNumber###



Applicant Company

Name: ###companyName###

Domiciliary State: ###Domiciliarystate###

Group Code: ###naicCompanyCode###

Statutory Office Address: ###StatutoryAddress###

Email: ###StatutoryEmail###

Phone: ###StatutoryPhone###

Are these addresses the same as those shown on the Applicant Company's Annual Statement? Yes or No
If not, explain why:

Holding Company: ###holdingCompanyName###

Holding Company Attachments: ###holdingCompanyAttachments###

Cover Letter: ###coverLetterAttachList###

Additional Address Information

Administrative Office

Address: ###adminAddress###

Email: ###adminEmail###

Phone: ###adminPhone###

Mailing Office

Address: ###mailingAddress###

Email: ###mailingEmail###

Phone: ###mailingPhone###

Billing Office

Address: ###billingAddress###

Email: ###billingEmail###

Phone: ###billingPhone###

Premium Tax Office

Address: ###premiumTaxAddress###

Applicant Company Name: ###ApplicantCompanyNameHeader###
FEIN: ###fein###
Tracking Number: ###trackingNumber###



Email: ###premiumTaxEmail###
Phone: ###premiumTaxPhone###

Producer Licensing Office

Address: ###producerLicensingAddress###
Email: ###producerLicensingEmail###
Phone: ###producerLicensingPhone###

Rate/Form Office

Address: ###rateFormAddress###
Email: ###rateFormEmail###
Phone: ###rateFormPhone###

Consumer Affairs Office

Address: ###consumerAffairsAddress###
Email: ###consumerAffairsEmail###
Phone: ###consumerAffairsPhone###

Draft: 3/28/23

Risk-Focused Surveillance (E) Working Group
Louisville, Kentucky
March 23, 2023

The Risk-Focused Surveillance (E) Working Group of the Financial Condition (E) Committee met March 23, 2023. The following Working Group members participated: Amy Malm, Chair (WI); Lindsay Crawford, Vice Chair (NE); Blase Abreo and Sheila Travis (AL); Susan Bernard and Michelle Lo (CA); Michael Shanahan (CT); Virginia Christy (FL); Daniel Mathis (IA); Cindy Andersen (IL); Roy Eft (IN); Stewart Guerin (LA); Dmitriy Valekha (MD); Vanessa Sullivan (ME); Judy Weaver (MI); Debbie Doggett (MO); Monique Smith (NC); Pat Gosselin (NH); David Wolf (NJ); Mark McLeod (NY); Dwight Radel (OH); Eli Snowbarger (OK); Doug Hartz (OR); Diana Sherman and Matt Milford (PA); Ted Hurley and John Tudino (RI); Johanna Nickelson (SD); Amy Garcia (TX); Jake Garn (UT); Greg Chew, David Smith, and Doug Stolte (VA); Dan Petterson (VT); and Steve Drutz (WA).

1. Discussed and Exposed Updated Guidance for Reviewing Transactions/Services with Affiliates

Malm stated that the first agenda item is to discuss an updated draft of proposed edits to NAIC handbooks to provide additional guidance for state insurance regulators in reviewing and monitoring transactions and service agreements between insurers and their affiliates. Revisions to the NAIC's *Financial Analysis Handbook* and its *Financial Condition Examiners Handbook* were prepared for review by the Affiliated Services Drafting Group. This issue was originally brought to the Working Group through a referral from the Chief Financial Regulator Forum in 2021 due to the growing prevalence of market-based expense allocations in affiliated service agreements. Because the issue is important to both financial analysis and financial examinations, the topic was referred to the Working Group so that guidance for both functions could be developed together.

Malm stated that initially, a small volunteer group of state insurance regulators with experience in reviewing affiliated services developed guidance for the Working Group's consideration, which was then exposed for public comment in the fall of 2021. As a result of the exposure period, comment letters were received that raised various issues the Working Group determined were important to address. As such, the Working Group formed a joint drafting group of state insurance regulators and interested parties to work on updating the proposed guidance for the issues identified.

The Affiliated Services Drafting Group consists of state insurance regulators from Connecticut, Idaho, Maine, North Carolina, Pennsylvania, Texas, Virginia, and Wisconsin. In addition, the Drafting Group includes industry representatives from the America Council of Life Insurers (ACLI), America's Health Insurance Plans (AHIP), the American Property Casualty Insurance Association (APCIA), the Blue Cross Blue Shield Association (BCBSA), Equitable, The Travelers Companies (Travelers), and the UnitedHealth Group (UHG).

Bruce Jenson (NAIC) provided an overview of the updated guidance, which is intended to provide additional considerations for regulators in reviewing service agreements between insurers and their affiliates, particularly those that incorporate market-based reimbursement for services performed. Such considerations include expanded guidance for reviewing the fairness and reasonableness of reimbursement rates on an ongoing basis during financial examinations as warranted, based on communications with the financial analysis department. Jenson stated that the proposed revisions also incorporate additional guidance from the 2021 revisions to the *Insurance Holding Company System Regulatory Act* (#440) that are focused on ensuring the continuity of services provided by an affiliate when an insurer is placed into receivership.

Malm stated that while the proposed revisions will assist both financial analysts and examiners in evaluating the fairness and reasonableness of services with affiliates on both an initial and ongoing basis, there is one area in which the drafting group found it difficult to develop guidance. This has to do with situations where the services an affiliate provides are not directly comparable to services offered in the open market, making it challenging to assess the fairness and reasonableness of the proposed reimbursement rate. Often, the rate proposed for these services is structured as “cost-plus” reimbursement, whereby the affiliate charges the insurer for the cost to provide the service plus a profit margin to account for the risk the affiliate is assuming in providing the service.

Malm stated that the drafting group recognizes that “cost-plus” reimbursement rates are already being used in some insurance service agreements but was reluctant to develop and expose guidance in this area before receiving input from a larger number of states and industry participants. Malm proposed that the Working Group requests comments on whether to include guidance on reviewing “cost-plus” agreements and how to address that topic. For example, some questions to ask during the exposure period include:

1. Should guidance on reviewing “cost-plus” reimbursement rates be added to the handbooks?
2. In which situations or for what types of services might “cost-plus” reimbursement be appropriate?
3. What rationale should the insurer provide to justify the profit margin included within the cost-plus rate, particularly if there is no comparable market data?
4. What tools or benchmarks could regulators use in evaluating the fairness and reasonableness of the profit margin included in the cost-plus rate?

Malm asked for comments from Working Group members on whether to request input on “cost-plus” guidance during the exposure period. Shanahan stated his support for requesting input on this topic as it represents a complex issue that is becoming more prevalent in service agreements. Andersen agreed that regulators could benefit from additional guidance in this area. Hartz stated that additional guidance for “cost-plus” agreements could be beneficial but that regulators also need to carefully review the details of cost allocations to ensure they are appropriate.

Tom Finnell (representing AHIP) stated that a joint group of interested parties agree with the request for input on the development of “cost-plus” guidance but would have concern if no guidance is placed within NAIC handbooks on this topic. Finnell stated that “cost-plus” agreements exist and have been approved in several state insurance departments, even if they are not approved in all states. Therefore, NAIC members and the industry would benefit from some consistent guidance in this area. Finnell also stated that some international service agreements are required to be prepared under a “cost-plus” approach to ensure that profits are accounted for correctly to facilitate tax reporting.

Finnell also stated that the revisions the Working Group exposed in the fall of 2021 raised concerns about financial examiners reopening agreements that state insurance departments had already approved. While the updated draft still includes considerations and suggested procedures for financial examinations, the regulators and interested parties were able to come to some agreement regarding how and when to review the fairness and reasonableness of reimbursement rates during an examination. Of key importance is the communication and coordination between the financial examiner and the financial analyst who conducted the initial review and approval.

Radel made a motion, seconded by Crawford, to expose the proposed guidance for a 45-day public comment period ending May 5. The motion passed unanimously.

2. Discussed Plans for Financial Analyst/Examiner Salary Survey

Malm stated that recommended salary ranges for financial analysts and examiners were first added to the NAIC's handbooks in 2020 based on the efforts and research of this Working Group. At that time, the Working Group committed to reviewing and updating the ranges as needed, with a minimum review period of every other year. As the ranges were last reviewed and updated in 2021 through a simplified review process, the Working Group is expected to conduct a more detailed review in 2023.

An all-state salary survey was conducted in 2019 to pave the way for the initial salary ranges to be adopted in 2020. As a result of that survey, data was collected from 43 different states for commonly held analysis and exam positions. This data was then compared against external market data for comparable industry positions, as well as salary rates for federal and state banking regulators.

Malm proposed a similar process for 2023, whereby a salary survey would be sent to all state insurance departments. Participation in the survey would be voluntary and state-specific responses would be kept confidential and only published at an aggregated level. The survey would request information on actual salaries paid (aggregated at the average salary per position), along with the number of individuals employed at that level and recent turnover statistics. In addition to the quantitative data, the survey could ask some qualitative questions regarding staffing levels, retention, and recruitment to assist regulators in evaluating how states are performing in these areas. Malm stated that the Working Group's leadership plans to finalize the survey questions in the coming weeks before releasing the survey in late spring or early summer for state insurance departments to complete.

Milford asked whether the survey could collect data on salaries paid to contract regulators, as state insurance departments often compete against contract firms for staffing services. Jensen responded that the NAIC maintains a listing of contract firms to which a salary survey could be distributed but noted that external firms might view their salary data, even when aggregated, as proprietary and confidential. Hartz indicated that although the data might be viewed as proprietary, the contractors generally work on behalf of state insurance departments and might be willing to provide the information upon request. Hartz also stated that information on examination billing rates could also be beneficial.

Malm indicated that the Working Group's leadership would work with NAIC staff to incorporate contract regulators into the salary survey as deemed appropriate.

3. Discussed Plans for 2023 Peer Review Sessions

Crawford stated that the NAIC Peer Review Program provides the opportunity for a group of experienced financial analysts and examiners to participate in reviewing recently completed analysis and examination files to identify best practices and opportunities for improvement within individual files and on an aggregate level.

Crawford reported that a financial analysis session was held in February, with 10 different states participating just ahead of the annual statement filing deadline to help prepare them for annual analysis work. The session received excellent participation and feedback from all participants.

Crawford stated that the Working Group has scheduled and filled a financial exam session for May, which will involve both contract examiners and the department employees overseeing their work for each of the files being reviewed. This should be an excellent opportunity to identify best practices and opportunities for improvement in overseeing contract examination work.

Crawford stated that an Own Risk and Solvency Assessment (ORSA)-themed financial analysis session is being scheduled for this summer and that the focus of the review will be on the analyst's assessment and use of an insurer's ORSA Summary Report to inform their ongoing financial analysis activities. The session is planned for six different states to participate. Additional information will be provided to chief financial regulators following the Spring National Meeting.

Crawford stated that the Working Group plans to offer one more traditional financial analysis peer review session this fall, with additional details to be announced in the coming months. As the risk-focused financial analysis process is still relatively new, the Working Group continues to see more demand for financial analysis sessions and will continue to schedule sessions, when possible, to meet demand.

4. Discussed Other Matters

Malm reminded Working Group members that a referral was received from the Macroprudential (E) Working Group in 2022 on various issues in affiliated service agreements. The first issue relates to the development of guidance around the regulatory review of investment management agreements between an insurer and an investment manager affiliate. The second issue relates to capital maintenance agreements between an insurer and a parent company or affiliate. Malm stated that the Working Group plans to move forward in finalizing its general affiliated services guidance before getting into the more specific issues raised in the referral. As such, it plans to work on guidance related to investment management agreements and other topics raised in the referral later this year.

Having no further business, the Risk-Focused Surveillance (E) Working Group adjourned.

SharePoint/NAICSupportStaffHub/Member Meetings/E CMTE/2023-1-Spring/RFSWG/Surveillance WG 3-23-23 Minutes.docx



TO: Elizabeth Kelleher Dwyer, Chair, Financial Conditions (E) Committee
Marlene Caride, Chair, Financial Stability (E) Task Force
Bob Kasinow, Chair, Macroprudential (E) Working Group
Thomas Botsko, Chair, Capital Adequacy (E) Task Force
Phillip Barlow, Chair, Risk-Based Capital Investment Risk and Evaluation (E) Working Group
Cassie Brown, Chair, Life Actuarial (A) Task Force
Judy Weaver, Chair, Financial Analysis (E) Working Group
Dale Bruggeman, Chair, Statutory Accounting Principles (E) Working Group
Fred Andersen, Chair, Valuation Analysis (E) Working Group

FROM: Carrie Mears, Chair, Valuation of Securities (E) Task Force

CC: Charles A. Therriault, Director, NAIC Securities Valuation Office (SVO)
Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau
Dan Daveline, Director, NAIC Financial Regulatory Services
Todd Sells, Director, NAIC Financial Regulatory Policy & Data
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office (SVO)
Julie Gann, Assistant Director, NAIC Solvency Policy
Bruce Jenson, Assistant Director, NAIC Solvency Monitoring
Pat Allison, Managing Life Actuary, NAIC Financial Regulatory Affairs
Jane Koenigsman, Sr. Manager II, NAIC L/H Financial Analysis
Andy Daleo, Sr. Manager I, NAIC P/C Domestic and International Analysis
Dave Fleming, Sr. Life RBC Analyst, NAIC Financial Regulatory Affairs
Jennifer Frasier, Life Examination Actuary, NAIC Financial Regulatory Affairs
Scott O'Neal, Life Actuary, NAIC Financial Regulatory Affairs
Eva Yeung, Sr. P/C RBC Analyst/Technical Lead, NAIC Financial Regulatory Affairs

RE: Referral on Additional Market and Analytical Information for Bond Investments

DATE: February 13, 2023

Summary – The Investment Analysis Office (IAO) staff recommended in its Feb. 25, 2022, memorandum to the Valuation of Securities (E) Task Force (VOSTF) (attached hereto, Blanks Market Data Disclosure v2.pdf) that it would like additional market-data fields added to the annual statement instructions for bond investments. This was, in part, based upon the NAIC's adoption in 2010 of the recommendations of

Washington, DC 444 North Capitol Street NW, Suite 700, Washington, DC 20001-1509 p | 202 471 3990 f | 816 460 7493

Kansas City 1100 Walnut Street NW, Suite 1500, Kansas City, MO 64106-2197 p | 816 842 3600 f | 816 783 8175

New York One New York Plaza, Suite 4210, New York, NY 20004 p | 212 398 9000 f | 212 382 4207

www.naic.org

the Rating Agency (E) Working Group (RAWG), which was formed following the Great Financial Crisis of 2007-2008 to study the NAIC's reliance on rating agencies, and the IAO staff's recent findings in its Nov. 2021 memo regarding disparities between rating agencies. RAWG recommended that: 1) regulators explore how reliance on rating agencies can be reduced when evaluating new, structured, or alternative asset classes, particularly by introducing additional or alternative ways to measure risk; and 2) consider alternatives for regulators' assessment of insurers' investment risk, including expanding the role of the NAIC Securities Valuation Office ("SVO"); and 3) VOSTF should continue to develop independent analytical processes to assess investment risks. These mechanisms can be tailored to address unique regulatory concerns and should be developed for use either as supplements or alternatives to ratings, depending on the specific regulatory process under consideration.

The NAIC's need for alternative measures of investment risk has only increased since RAWG made its recommendations, as privately issued and rated complex structured finance transactions have become commonplace without adequate ways of identifying them. The SVO recommended the following market data fields to be added to the annual statement instructions: Market Yield, Market Price, Purchase Yield, Weighted Average Life, Spread to Average Life UST, Option Adjusted Spread, Effective Duration, Convexity and VISION Issue ID. Please refer to the attached memo for more detail on each data field.

In comments received from industry there were question as to how the SVO, VOSTF and/or other regulators who would receive the analytic data included in the proposal would utilize that information and why it is of value to them. The SVO was also asked to consider industry's recommendation that the NAIC be responsible for calculating this analytical information by utilizing commercially available data sources and investment models instead of having each individual insurance company incur the costs to implement system changes. The SVO shared their thoughts on the alternatives in the Jul. 14, 2022, memorandum to the VOSTF (attached, Blanks_Market_Data_Options_v3.pdf).

Capabilities like this within the SVO would permit it to calculate for regulators all the analytic values previously mentioned for any Schedule D investment along with additional measures such as key rate duration (a measure of interest rate sensitivity to maturity points along the yield curve), sensitivity to interest rate volatility, principal and interest cash flow projections for any security or portfolio for any given interest rate projection, loss estimates for any security for any given scenario and many others measures.

Referral – VOSTF refers this matter to the above referenced Committees, Task Forces and Working Groups for consideration and requests a response from you by May 15th outlining:

1. Indicate if your group is supportive of creating this capability within the SVO.
2. List the investment analytical measures and projections that would be most helpful to support the work performed by your respective group.
3. Describe how your group would utilize the data and why it would be of value.
4. Are there other investment data or projection capabilities that would be useful to your group that could be provided by commercially available data sources or investment models? And if so, please list them.
5. Any other thoughts you may have on this initiative.

Please contact Charles Therriault or Marc Perlman with any questions.



TO: Carrie Mears, Chair, Valuation of Securities (E) Task Force
Members of the Valuation of Securities (E) Task Force

FROM: Charles A. Therriault, Director, NAIC Securities Valuation Office (SVO)
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office (SVO)

CC: Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau

RE: Additional Market Data Fields for Bond Investments

DATE: February 25, 2022

The SVO proposes adding additional market-data fields for bond investments to the annual statement instructions based on 2010 adopted recommendations of the Rating Agency (E) Working Group (RAWG) and the IAO staff's findings regarding the discrepancies between ratings, presented in its Nov. 2021 memo.

The RAWG was formed after the Financial Crisis of 2008 and was charged with gathering and assessing information on:

1. *The problems inherent in reliance on ratings, including impact on the filing exempt ("FE") process and Risk-Based Capital ("RBC");*
2. *The reasons for recent rating shortcomings, including but not limited to structured security and municipal ratings;*
3. *The current and potential future impact of ratings on state insurance financial solvency regulation; and*
4. *The effect of the use of NRSRO ratings on public confidence and public perception of regulatory oversight of the quality of insurance.*

The RAWG made the following summary recommendations in their Apr. 28, 2010, report that was adopted by the Financial Condition (E) Committee (emphasis added):

1. **Regulators *explore how reliance* on ARO (Approved Ratings Organization) ratings *can be reduced* when evaluating new, structured, or alternative asset classes, particularly by *introducing additional or alternative ways to measure risk*;**
2. **Consider alternatives for regulators' assessment of insurers' investment risk, including *expanding the role of the NAIC Securities Valuation Office ("SVO")*; and**

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3. *When considering continuing the use of ratings in insurance regulation, the **steps taken by the NRSROs in correcting the causes that led to recent rating shortfalls**, including the NRSROs' efforts in implementing the recommended structural reforms, should be taken into account.*

As the IAO staff demonstrated with the analysis in its Nov. 29, 2021, memo regarding ratings discrepancies, not all credit rating provider (CRP) ratings reflect a reasonable assessment of a security's risk, indicating that rating shortfalls persist today. The NAIC has not made additional progress in reducing reliance on CRPs and the IAO proposed several steps in its memo to accomplish that objective. As noted by the RAWG and reflected in the IAO's memo, there persists a situation where "... ratings are neither consistent nor uniform for individual securities, nor across different types and classes of securities..." However, the role of the SVO has not been expanded to include "... evaluating credit and other risks of securities."¹

One step towards introducing alternative ways to measure a security's risk would be to require insurers to report various analytical measures about each security including metrics such as its current market yield, interest rate sensitivity, spread relative to risk-free securities such as United States Treasuries and average remaining life. The more a security's market yield and spread differ from similarly rated securities, the more likely it is that the implied market-perceived risk of that security differs from the risk indicated by the credit rating assigned to it. The yield difference or spread in basis points can potentially help identify securities whose risk assessment warrants further review by the SVO, examiners or other regulatory groups, for example, a AAA rated security with a yield of 5%. Other fields that measure a security's price sensitivity to interest rate movements may also help to identify market-perceived risk inconsistent with the assigned credit rating. These additional market data fields would align with the RAWG's referral to the Task Force and SVO Initiatives (EX) Working Group, as noted in their following detailed recommendations (emphasis added):

1. *Referral to the NAIC Valuation of Securities (E) Task Force: VOS should continue to **develop independent analytical processes to assess investment risks**. These mechanisms can be tailored to address unique regulatory concerns and should be developed for **use either as supplements or alternatives to ratings**, depending on the specific regulatory process under consideration.*
2. *Referral to the NAIC Valuation of Securities (E) Task Force: ARO ratings have a role in regulation; however, since **ratings cannot be used to measure all the risks that a single investment or a mix of investments may represent in an insurer's portfolio**, NAIC policy on the use of ARO ratings should be **highly selective and incorporate both supplemental and alternative risk assessment benchmarks**.*
3. *Referral to the NAIC's SVO Initiatives (EX) Working Group: NAIC should evaluate whether to **expand the use of SVO and increase regulator reliance on the SVO for evaluating credit and other risks of securities**.*

Recommendation: The SVO recommends the following market data fields and related descriptions be added to all the annual statement instructions, through a referral to the Blanks (E) Working Group, for all bonds reported on Schedule D, Part 1 (those within scope of SSAP No. 26R – Bonds and SSAP No. 43R – Loan-Backed and Structured Securities). To allow sufficient time for insurers to update their systems, the SVO further recommends that the changes be implemented as electronic only fields effective beginning with the reporting year ending December 31, 2023.

- Market Yield – The Market Yield is the internal rate of return discount rate that makes the net present value (NPV) of all expected cash flows equal to zero in a discounted cash flow analysis. Therefore, Fair

¹ Evaluating the Risks Associated with NAIC Reliance on NRSRO Credit Ratings – Final Report of the RAWG to the Financial Conditions (E) Committee, April 28, 2010

Value, which is already reported, is the present value (PV) of all expected cash flows discounted at the Market Yield.

- Market Price – The Market Price per unit of Par Value, which is already reported, is reflected in the Fair Value as of the financial statement date. The Market Price, which excludes accrued interest, when multiplied by Par Value and divided by 100 will be equal to the Fair Value.
- Purchase Yield – The Purchase Yield is the internal rate of return discount rate that makes the net present value (NPV) of all expected cash flows equal to zero in a discounted cash flow analysis as of the Acquired Date. Therefore, Actual Cost is the present value (PV) of all expected cash flows discounted at the Purchase Yield as of the Acquired Date.
- Weighted Average Life – The Weighted Average Life is the average length of time that each dollar of unpaid principal remains outstanding. The time weightings used in weighted average life calculations are based on payments to the principal. The calculation is "weighted" because it considers when the payments to the principal are made—if, for example, nearly all of the principal payments are made in five years, WAL will be close to five years. Weighted average life does not consider payments to interest on the loan. This value is recalculated at each statement date for the remaining principal payments.
- Spread to Average Life UST - The spread is the difference between the interpolated U.S. Treasury bond yield that matches the reported debt security's Weighted Average Life. Spreads between interpolated U.S. Treasuries and other bond issuances are measured in basis points, with a 1% difference in yield equal to a spread of 100 basis points.
- Option Adjusted Spread - The option-adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return (typically U.S. Treasury yield), which is then adjusted to take into account an embedded option and expressed in basis points. The spread is added to the fixed-income security price to make the risk-free bond price the same as the bond. The option-adjusted spread considers historical data such as the variability of interest rates and prepayment rates. These calculations are complex since they attempt to model future changes in interest rates, prepayment behavior of mortgage borrowers, and the probability of early redemption.
- Effective Duration - This is a duration calculation for bonds that have embedded options. This measure of duration takes into account the fact that expected cash flows will fluctuate as interest rates change and is, therefore, a measure of risk given the security's Fair Value. As a formula, $\text{Effective Duration} = (P(1) - P(2)) / (2 \times P(0) \times Y)$, where $P(0)$ = the bond's Market Price per \$100 worth of par value, $P(1)$ = the price of the bond if the yield were to decrease by Y percent, $P(2)$ = the price of the bond if the yield were to increase by Y percent, and Y = the estimated change in yield used to calculate $P(1)$ and $P(2)$.
- Convexity - This is a measure of the curvature, or the degree of the curve, in the relationship between bond prices and bond yields. Convexity demonstrates how the duration of a bond changes as the interest rate changes.
- VISION ISSUE ID: The NAIC VISION system security ID reported in AVS+.

<https://naiconline.sharepoint.com/teams/SVOVOSTaskForce/Shared Documents/Meetings/2022/2022-04 - Spring National Meeting/04 - Blanks Referral Analytical Risk Measures/2021-053.01 Blanks Market Data Disclosure v2.docx>



TO: Carrie Mears, Chair, Valuation of Securities (E) Task Force
Members of the Valuation of Securities (E) Task Force

FROM: Charles A. Therriault, Director, NAIC Securities Valuation Office (SVO)
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office (SVO)

CC: Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau

RE: Possible Options for Additional Market Data Fields for Bond Investments

DATE: July 14, 2022

Summary - The SVO proposed adding additional market-data fields for bond investments to the annual statement instructions in its memo dated Feb. 25, 2022, titled "Additional Market Data Fields for Bond Investments" that was discussed at the 2022 Spring National Meeting. The recommendation was based, in part, on 2010 adopted recommendations of the Rating Agency (E) Working Group (RAWG) and the NAIC Investment Analysis Office's (IAO) staff's findings regarding the discrepancies between ratings, presented in its Nov. 29, 2021 memo, "Rating Issues and Proposed Changes to the Filing Exemption Process." In this memo the SVO further outlines the regulatory benefits and proposes two possible approaches.

The benefits of collecting additional market-data for each insurer bond investment are several:

- Assist in SVO identification of securities with credit rating provider (CRP) ratings which may be inconsistent with a security's actual overall risk.
- Greater transparency for regulators into the risks and characteristics of insurer investments.
- Incorporation of insurer investment portfolio analysis into the examination process.
- Availability of more Level 1 and 2 Inputs which will be included in the AVS+ pricing data for all securities compared to the mostly Level 3 Inputs for only some securities today.
- Allow state insurance regulators to assess the capabilities of an insurer's investment management or risk management processes by reviewing the quality and accuracy the market data fields.
- Provide NAIC staff with the capability to run cash flow simulations on insurer investments.

Regarding the first bullet, the SVO would use this market-data information to help identify securities with credit rating provider (CRP) ratings that may be inconsistent with the security's actual overall risk. The SVO and SSG have raised concerns over the years about a number of asset classes (e.g. residential

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mortgage backed securities (RMBS), commercial mortgage backed securities (CMBS), public and private fund investments, principal protected securities (PPS) including CLO Combo Notes, regulatory transactions, residual interests, and now collateralized loan obligations (CLO), and structure equity and funds) and specific securities in other asset classes where a rating agency rating often does not adequately reflect the investment risk for NAIC purposes. The SVO needs this analytical information so that it can identify and take potential action on investment risk assessment inaccuracies. Without this data and potentially other information in the future, coupled with some level of discretion over NAIC Designations derived from ratings, the SVO and regulators will remain in the dark about these risks. Additionally, the incentive for significant risk-based capital arbitrage utilizing CRP ratings will likely continue to increase and rating agencies will effectively remain a de-facto “super regulator” in that any investment they assign a rating to is automatically accepted by the NAIC without any regulatory discussion, analysis, oversight or consideration as to how the rating agency’s decisions align to the NAIC’s statutory framework.

Inconsistent and potentially inaccurate assessments of investment risk is a critical issue not only for the Valuation of Securities (E) Task Force but for other state insurance regulatory groups that are interested in identifying and analyzing investment risks, whether it be at the individual security, asset class, legal entity or industry level. The following are just a few groups that have active work streams involving investment risk: Life Actuarial (A) Task Force, Capital Adequacy (E) Task Force and its Working Groups, Statutory Accounting Principles (E) Working Group, Financial Stability (E) Task Force, Macroprudential (E) Working Group and Financial Analysis (E) Working Group. The proposed market data fields will benefit each of these groups in their work assessing insurer investments and portfolio risks.

The requested market data fields other than purchase yield, which should be available from any investment accounting system, are all at the security issue level (i.e. CUSIP). Any insurer system that can receive security issue level data such as a market prices, credit ratings, bond factors, cashflows, or NAIC Designations should be able to accommodate these proposed security issue-level data fields. The SVO acknowledges this change will require time for insurer system providers to accommodate these new data fields into their data structures and Schedule D reporting applications. However, these data fields are very common in the management of a bond portfolio, and it would be a significant enterprise risk deficiency if an insurer’s investment managers did not have them.

Some alternate measures of risk (e.g. Sharpe Ratio and Sortino Ratio) were mentioned during the Task Force discussion. These metrics, however, would require insurers to calculate the total return and the standard deviation of those returns for each security they own in order to produce and report these metrics which would be significantly more costly and more appropriate for assessing relative value and less applicable for assessing investment risk.

Alternatives – The SVO was asked to consider industry’s recommendation that the NAIC produce these fields. Below are our thoughts on each alternative.

- **NAIC Produced Analytics** – The SVO can take on the responsibility for producing the analytical data elements requested in this proposal. To do so it would require enhancements to the SVO’s existing systems (VISION, AVS+ and STS), and vendor pricing data, investments in new systems to provide the modeling, more staff for the incremental and on-going support of these systems and processes, new data feeds to support the modeling software, and new data bases and reporting capabilities to provide the information to regulators. Enhancements would also

need to include the ability for insurers to provide electronically to the SVO the full security structure of any security that the modeling software does not know about. We strongly believe that the benefits to be gained by state regulators, the SVO and other NAIC groups with interests in investment risk of bringing this modelling capability in-house greatly outweigh, in the long run, the initial costs and effort to make these capabilities operational.

○ **Pros:**

- Market analytical information would be independently and consistently produced.
- The SVO's pricing data would need to include more Level 1 and 2 Inputs for all securities versus primarily Level 3 Inputs for only some securities today.
- Regulators would eventually be able to ask NAIC staff to model the risks or cash flows of any bond security or insurer bond portfolio, including, stress testing those securities and portfolios.
- Regulators would have significantly greater transparency into the risks and characteristics of insurer investments.
- Analytical analysis of insurer investment portfolios could be incorporated into the examination process.
- The overall cost to insurers through any increased fee would likely be much less than each insurer building out its own capability to provide the data.

○ **Cons:**

- The NAIC would need to make significant enhancements to VISION, AVS+, and STS, and develop new reporting data bases.
- The NAIC will need to license a security analytic modelling system and provide it with the data it requires, some of which may require new data licenses. This includes full access to vendor applications like Bloomberg or Aladdin.
- The NAIC will incur additional fees for higher level of security pricing data. The NAIC will also need additional staff to develop and support the technology enhancements and to support the on-going modeling of securities and portfolios.
- It may take longer for the NAIC to build this capability.
- Insurers would still need to report some of this information on their Schedule D filings from data published through AVS+.
- Insurers would need to provide the SVO with full security structure modeling and supporting data (e.g. collateral, payments, actions) for any security the analytic modelling system does not have within its data base.

- **Insurer Produced Analytics** – Insurer investment managers should already have the market data fields requested in this proposal. Insurers would need to get this information into their systems that produce their Schedule D filings. This option would require more up-front work on the part of the insurers and less by the NAIC. The uses of the data, however, whether by regulators, the SVO or other interested

NAIC groups, could be significantly more limited than in the first option, because of the inconsistency in data between insurers.

- **Pros:**
 - Insurers already have this information as part of their investment management or risk management processes.
 - State insurance regulators could assess the capabilities of an insurer's investment management or risk management processes by reviewing the quality and accuracy the market data fields.
 - The timeframe to implement would likely be shorter than the SVO having to build out this capability.
- **Cons:**
 - Insurer security pricing is very inconsistent today which will lead to a high degree of variability in these analytical values.
 - The modeling software and assumptions used by insurers to produce these analytical value can vary significantly which will also lead to a high degree of variability in the values.
 - Insurers and their system providers will need to develop new interfaces to ingest this data and produce it in their Schedule D filing. That time frame could vary significantly by vendor and insurer.
 - State insurance regulators would not be able to request the modeling of any investment security or portfolio.
 - Insurers would directly bear the expense of these changes which will likely be greater than it would be if the NAIC produced this information.

Next Steps – The SVO continues to strongly believe that these market data fields are an important first step in finding alternative ways to measure insurers investment risk and reducing the NAIC reliance rating agency ratings. As noted by the RAWG and reflected in the IAO's memo, there persists a situation where *"... ratings are neither consistent nor uniform for individual securities, nor across different types and classes of securities..."* yet the role of the SVO has not been expanded to include using these alternatives in *"... evaluating credit and other risks of securities."* The objective of this request is to begin addressing these investment risk issues but this may not be the only information needed.

Both alternatives will involve a commitment of resources either by the NAIC or industry. The major question before the Task Force is whether it has a preferred source for these market data fields: the NAIC's SVO or insurer reporting? The SVO believes that the first option would provide the most standardization in data and utility to regulators, the SVO and other interested NAIC groups and would be worth the slightly longer time and cost needed to develop the capabilities.

If, as the SVO recommends, the Task Force prefers the NAIC's SVO as the source of this analysis, then the next step would be a referral to the Financial Condition (E) Committee to request their sponsorship for this initiative and, if provided, begin a fiscal request. If Financial Condition (E) Committee declines to sponsor the initiative or if insurer reporting is the preferred source, we would recommend reverting to insurer reporting and directing the SVO staff to prepare the Blanks referral.



TO: Carrie Mears, Chair, Valuation of Securities (E) Task Force
Members of the Valuation of Securities (E) Task Force

FROM: Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau
Charles A. Therriault, Director, NAIC Securities Valuation Office (SVO)
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office (SVO)

RE: Amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office
(the "P&P Manual") to Include Collateralized Loan Obligations (CLO) as a Financially Model
Security in Part Four

DATE: September 16, 2022 (Updated: December 20, 2022)

Summary – A collateralized loan obligation (CLO) is type of structured security backed by a pool of debt, typically corporate loans with low credit ratings. An insurer that purchases every tranche of a CLO holds the exact same investment risk as if it had directly purchased the entire pool of loans backing the CLO. The aggregate risk-based capital (RBC) factor for owning all of the CLO tranches should be the same as that required for owning all of the underlying loan collateral. If it is less, it means there is risk-based capital (RBC) arbitrage. As noted in the Investment Analysis Office's (IAO) memo of May 25, 2022, "Risk Assessment of Structured Securities – CLOs", it is currently possible to materially (and artificially) reduce C1 capital requirements just by securitizing a pool of assets.

Recommendation – The Investment Analysis Office recommends the Task Force assign the Structured Securities Group (SSG) the responsibility of financially modeling CLO investments. SSG can model CLO investments and evaluate all tranche level losses across all debt and equity tranches under a series of calibrated and weighted collateral stress scenarios to assign NAIC Designations that create equivalency between securitization and direct holdings, thereby eliminating RBC arbitrage.

The Task Force sent a referral to the Capital Adequacy (E) Task Force (CATF) and its Risk-Based Capital Investment Risk and Evaluation (E) Working Group (RBCIREWG) requesting those groups consider adding two new RBC factors. These recommended new RBC factors would account for the tail risk in any structured finance tranche. Staff also recommends adding NAIC Designation Categories (e.g. 6.A, 6.B and 6.C) with possible interim RBC factors of 30%, 75% and 100%, respectively, until those groups can further study structured securities. Staff request approval to draft a Blanks proposal for the new NAIC Designation Categories.

Proposed Amendment - The proposed text changes to P&P Manual are shown below with additions in red underline, deletions in ~~red strikethrough~~ as it would appear in the 2022 P&P Manual format. Changes made on December 20, 2022 are highlighted in **yellow**.

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To: Superintendent Elizabeth Kelleher Dwyer (RI), Chair, Financial Condition (E) Committee

From: Jackie Obusek (NC), Chair, Mortgage Guaranty Insurance (E) Working Group

Date: March 1, 2023

Re: Request for Extension – Mortgage Guaranty Insurance Model Act (#630)

The Mortgage Guaranty Insurance (E) Working Group is in the process of fulfilling its charge to update the *Mortgage Guaranty Insurance Model Act* (Model #630). The Working Group anticipated completion of its Charge by the 2023 Spring National Meeting. As Chair, I would like to update that request to the Financial Condition (E) Committee in accordance with NAIC procedures.

The Working Group exposed for public comment the Draft Mortgage Guaranty Insurance Model Act (#630) during its October 6, 2022 interim meeting. The exposure ended on November 7 and several comments were received and discussed during the 2022 Fall National Meeting. During January and February 2023, the drafting group discussed and addressed each comment. As a result, several revisions were made to draft Model #630. The drafting group exposed the Model for a secondary public comment period just prior to the 2023 Spring National Meeting. It is anticipated that following discussion of additional comments received as a result of the exposure, the Working Group will be in a better position to vote to adopt draft Model #630 following review and discussion on any additional comments.

At this time, we believe we can complete this work by the 2023 Fall National Meeting. The request for additional time is to allow the necessary time to address comments and ensure that a comprehensive regulatory framework is in place to effectively regulate these complex insurance entities. We are aware that we have been unable to complete our work within the one-year time period expected under the NAIC model law process and request an extension until the 2023 Fall National Meeting in order to finalize a product that can be adopted by the domestic states of the mortgage insurers, as well as any other state also wishing to adopt the same.

Updates to 2023 Charges

10. The **Restructuring Mechanisms (E) Working Group** will:

- A. Evaluate and prepare a white paper that:
 - 1. Addresses the perceived need for restructuring statutes and the issues those statutes are designed to remedy. Also, consider alternatives that insurers are currently employing to achieve similar results.
 - 2. Summarizes the existing state restructuring statutes.
 - 3. Addresses the legal issues posed by an order of a court (or approval by an insurance department) in one state affecting the policyholders of other states.
 - 4. Considers the impact that a restructuring might have on guaranty associations and policyholders that had guaranty fund protection prior to the restructuring.
 - 5. Identifies and addresses the legal issues associated with restructuring using a protected cell.
- B. Consider requesting approval from the Executive (EX) Committee on developing changes to specific NAIC models as a result of findings from the development of the white paper.
- C. Develop best practices to be used in considering the approval of proposed restructuring transactions, including, among other things, the expected level of reserves and capital expected after the transfer, along with the adequacy of long-term liquidity needs. Also, develop best practices to be used in monitoring the companies after the transaction is completed. Once completed, recommend to the Financial Regulation Standards and Accreditation (F) Committee for its consideration.
- D. Consider the need to make changes to the RBC formula to better assess the minimum surplus requirements for companies in runoff.
- C-E. Review the various restructuring mechanisms, and develop, if deemed needed, accounting and reporting requirements for referring to the Statutory Accounting Principles (E) Working Group.

~~11. The **Restructuring Mechanisms (E) Subgroup** of the Restructuring Mechanisms (E) Working Group will:~~

- ~~A. Develop best practices to be used in considering the approval of proposed restructuring transactions, including, among other things, the expected level of reserves and capital expected after the transfer, along with the adequacy of long term liquidity needs. Also, develop best practices to be used in monitoring the companies after the transaction is completed. Once completed, recommend to the Financial Regulation Standards and Accreditation (F) Committee for its consideration.~~
- ~~B. Consider the need to make changes to the RBC formula to better assess the minimum surplus requirements for companies in runoff.~~
- ~~C. Review the various restructuring mechanisms, and develop, if deemed needed, accounting and reporting requirements for referring to the Statutory Accounting Principles (E) Working Group.~~