



AMERICAN ACADEMY *of* ACTUARIES

May 11, 2012

Director John Huff
Deputy Commissioner Danny Saenz
Group Solvency Issues (E) Working Group
National Association of Insurance Commissioners
Via email: *c/o* DVacca@naic.org

Re: Comments on *NAIC Own Risk and Solvency Assessment (ORSA) Model Act*

Dear Director Huff and Mr. Saenz,

On behalf of the ERM Committee of the American Academy of Actuaries¹ I appreciate this opportunity to provide comments on the draft, *Own Risk and Solvency Assessment (ORSA) Model Act* (“the Act”).

Our comments, by section of the Act, are as follows:

Section 3. ORSA Requirements.

Regarding item B, the Committee finds it unclear as to precisely what the submission requirement is within the prescribed 30-day timeframe. For example, is the intent that the insurer provide their most recent ORSA Summary Report within 30 days (so, if requested in March 2015, this may be the year-end 2013 Summary Report), or is it possible the insurer may need to develop a new report within the 30-day time period? If it is the latter, this requirement appears onerous without providing material additional value to the regulator. Companies run multiple reports internally at differing periods. We suggest clarifying the language, to say “an insurer shall submit the most recently completed ORSA Summary Report...” or similar.

Also regarding item B, it is unclear whether the requirement to submit “an ORSA Summary Report, sections of an ORSA Summary Report or a combination of reports as prescribed by the ORSA Guidance Manual...” means that any one of these items is acceptable or that a regulator could request any or all of these items. We also suggest replacing the “and/or” in item B with the word “or” to make it clear that in the case of an insurance group, the group ORSA is sufficient, and the individual insurance entities do not need to provide separate ORSA Summary Reports (this is also consistent with the use of “or” in item A).

¹ The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

We also suggest further clarity regarding the treatment of insurance groups in requesting information. In section B in particular, we suggest identifying the circumstances under which each domiciliary commissioner(s) may request an ORSA from an insurance group, versus obtaining information from the lead regulator (the regulator for the state of domicile of the group).

Section 4. Exemption from ORSA Requirement.

We suggest replacing the word “premium(s)” in subsections A. i. and A. ii. with “premiums and deposits” in order to appropriately apply the exemption requirements to life insurance and annuity writers consistently.

We also suggest clarifying the treatment of captive insurers. Based on the language in the current draft, it appears that a captive insurer’s direct premium from its parent or affiliates (which would be reported as direct premium) would be included under the size limitation assessment while assumed premium from affiliated parties is not included in this assessment. Both direct and assumed premium from affiliated parties should be excluded from the assessment in order to maintain consistency with the policyholder protection objectives of solvency regulation.

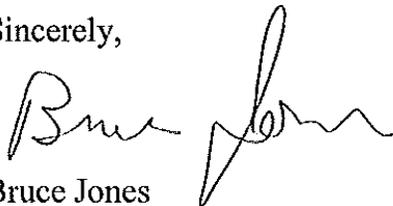
The draft Act already authorizes the commissioner to require an ORSA in case of unique circumstances or if an insurer is deemed to be in hazardous financial condition, regardless of the exemption standard. This would allow for review of a captive insurer’s ORSA in the event there was any concern regarding the company’s risk profile or financial strength.

General Comments

We recognize that efforts are underway (such as training and ORSA “pilot” with a subset of companies) to provide further clarity on how the regulatory community will use ORSA results in their review processes. Clearly the way regulators use the ORSA is a very important component of the overall ORSA requirement and guideline, and our committee is interested in continuing to work with the NAIC and the regulatory community to achieve our mutual objectives with respect to the ORSA.

Thank you for this opportunity to comment. If you have any questions, please contact Tina Getachew, senior policy analyst, Risk Management and Financial Reporting Council, via email (getachew@actuary.org) or phone (202/223-8196).

Sincerely,



Bruce Jones
Chair, ERM Committee
Risk Management & Financial Reporting Council
American Academy of Actuaries