



Texas Insurance Industry Update

Working with the Insurance Department – An Insider's How To





Learning Objectives

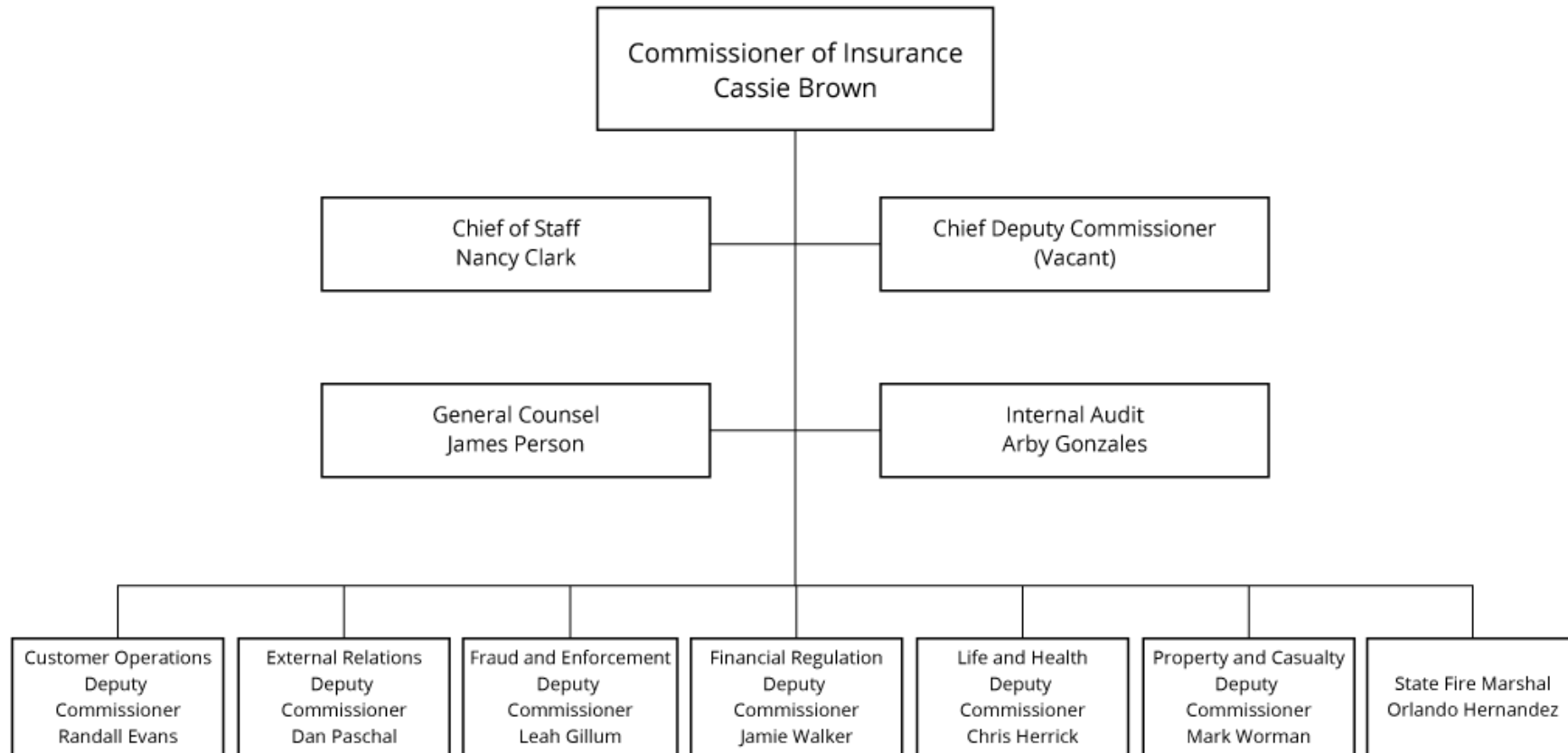
1. Who regulates insurance entities?
2. How are insurance entities regulated?
3. How to improve the quality of insurance department staff interactions.



01

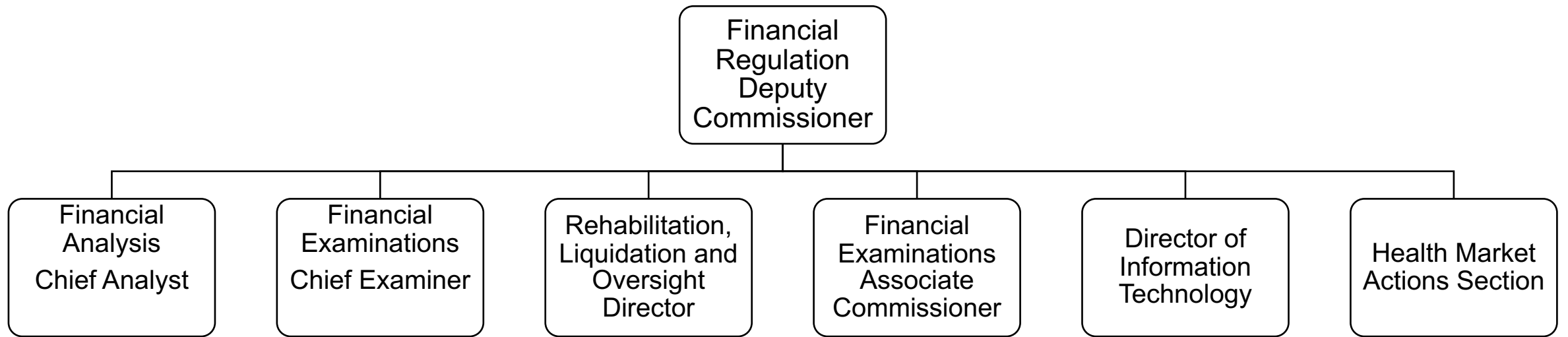
Who Regulates Insurance Entities?

Texas Department of Insurance

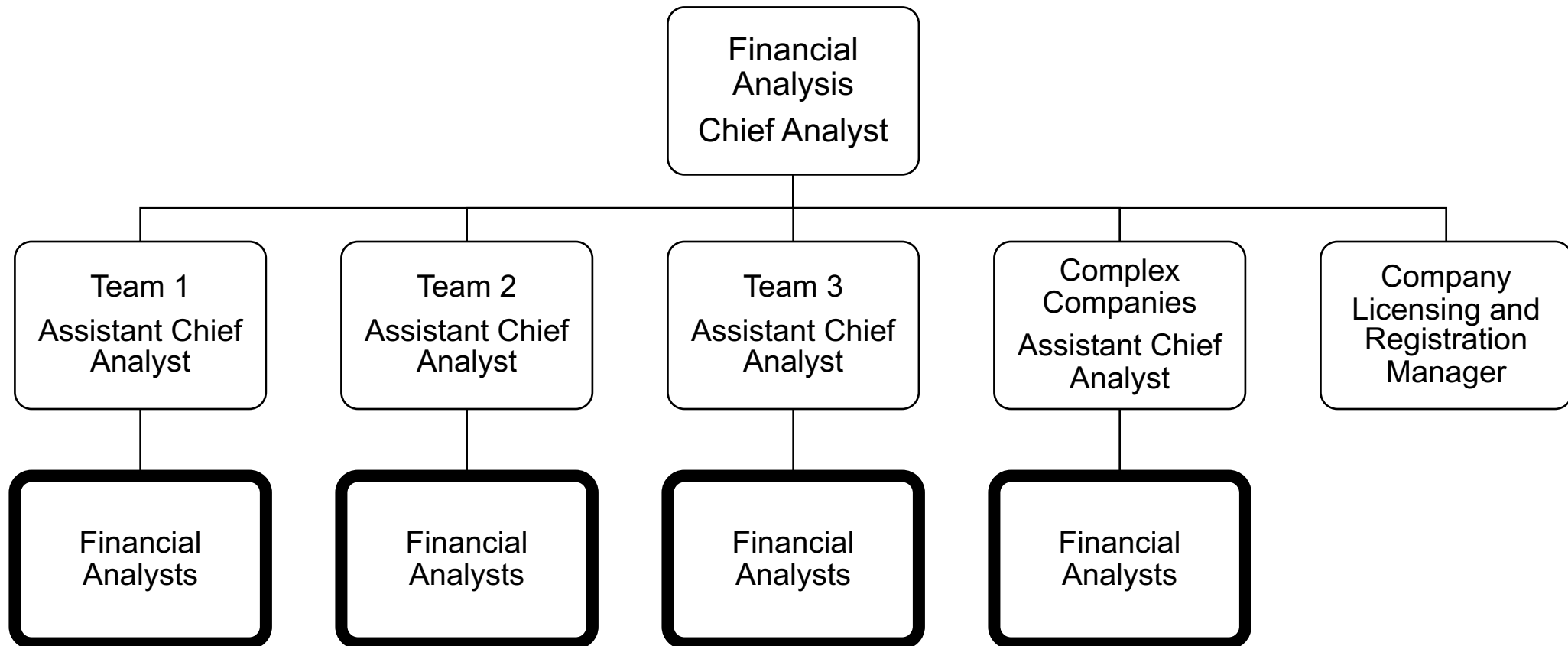




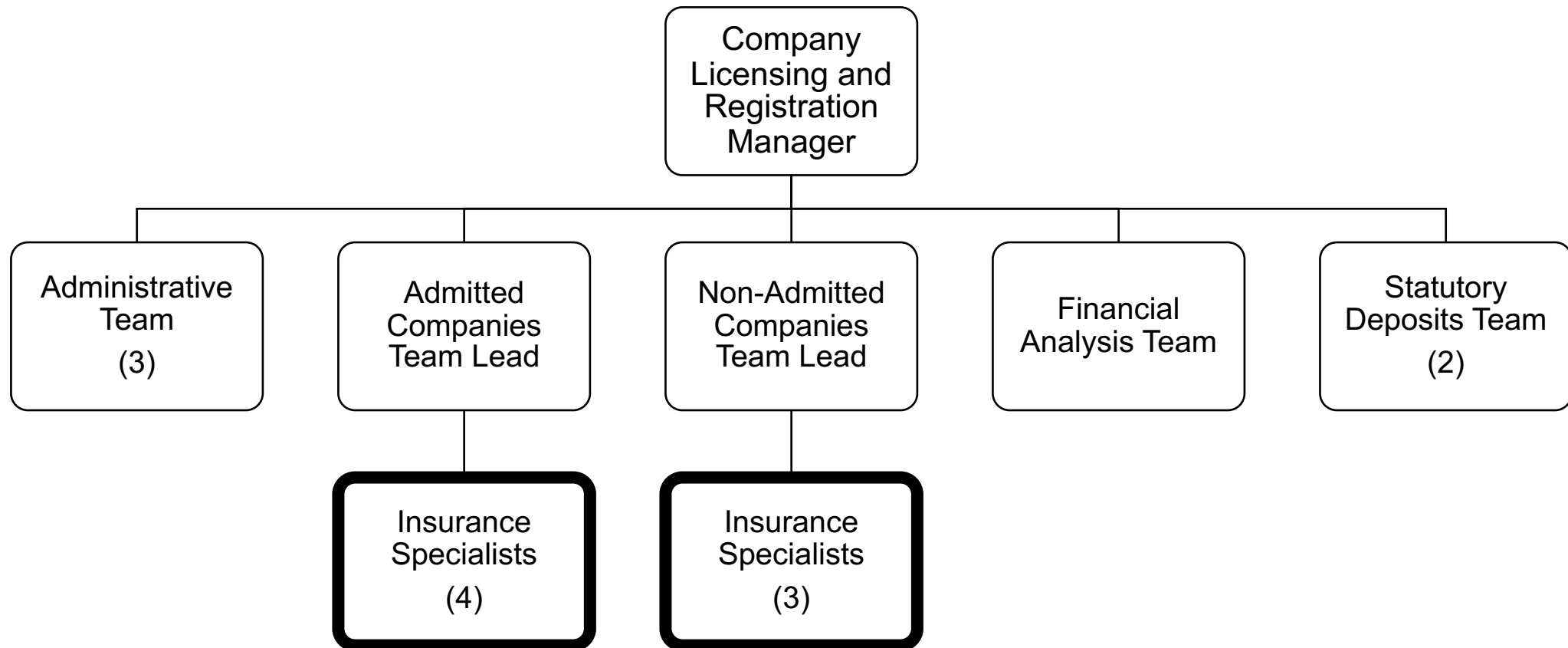
Financial Regulation Division



Financial Regulation Division



Financial Regulation Division





Who Does What?

- Financial Analysts ~ 36
 - Experience Levels:
 - 1 Year of Less ~ 33%
 - 1-10 Years ~ 39%
 - 10 + Years ~ 28%

2021 Workload:

- 655 Financial Analysis Reviews
- 655 CPA Reports
- 655 Registration Filings (Forms B + C)
- Holding Company Transactions
- Holding Company Group Reviews



Who Does What?

- Insurance Specialists ~ 12
 - Experience Levels Similar to Financial Analysts

Responsibilities:

- New Formations
- Expansions
- Corporate and License Amendments
- Annual Reviews of Non-Admitted and Non-Risk Bearing Entities (1373)
- 3368 Regulated Stakeholders



02

How Are Insurance Entities Regulated?



Financial Analysis Review Process

- Meet NAIC accreditation standards.
 - Focus on risk and solvency.
 - 9 branded risk categories:
 - Credit
 - Market
 - Underwriting/Pricing
 - Reserving
 - Liquidity
 - Operational
 - Legal
 - Strategic
 - Reputation
 - Order of review:
 - T*1
 - T*2
 - T*3
 - T*4
 - Texas only companies peppered in as appropriate.
- Priority levels determined by IRIS, FAST, RBC, PHS...



Financial Analysis Review Schedule

- March through July
 - Annual statements under review by assigned financial analyst.
- April through August
 - MD&A, Forms B, C, F,
- July through September
 - CPA and Internal Control reports
- September through December
 - Group reviews

Two-week peer review window.

One week to complete review

Best time to submit filings – August through January



Review Methods

- Insurer Profile Summary (IPS) – Living document updated each quarter and any time an insurer reports a change in business practice.
- Group Profile Summary (GPS) – Document summarizing the details of each entity in the holding company system. Updated once/year.
- Checklists
- Checklists
- Checklists
- Standardize the review process; bridge the experience gap.



Review Methods - Difficulties

- Limited guidance for exotic transactions and transactions involving unfamiliar entity types.
- Lack of experience leads to decision paralysis.
- Peer/supervisory review timing.
- Exploitation of the deemer clock.



03

How to Improve the Quality of Insurance Department Staff Interactions.



Let the Experts Handle Everything

- Outsource to the specialists:
 - Leverage existing relationships cultivated over decades;
 - Utilize established formats and language filings;
 - More frequent updates and follow-ups;
 - Take advantage of exceptions;
 - Better feel for escalation.



Be Generous

- Provide as much information as possible.
 - Train your regulator.
 - Describe how any new transaction impacts ongoing transactions.
 - Respond quickly.
 - Take advantage of any opportunity for a meeting.
 - Present all facts in writing.
 - Explain even the simplest concepts.



Be Patient

Workload varies by analyst/specialist.

- 10-50 transactions pending at any time
- Little to no continuity:
 - Significant annual turnover;
 - Annual assignment changes;



Be Firm

Regulation lags innovation.

- Understand the scope of the review.
- More experienced analysts rely less on checklists – for the most part.
- Don't be afraid to push back and escalate.
- Ask for a review by the Office of Financial Counsel.
- SOAH is not the enemy – industry friendly.
- Keep track of deemer dates.



Summary

Insurance departments are large bureaucracies – change takes time.

Bottom rung experiences significant turnover; leads to

- Knowledge gaps;
- Large workloads;
- Reliance on standardized review methods.

Standards are driven by the NAIC accreditation program.

- Some transactions will receive priority.



Summary

Industry should help develop the regulatory workforce.

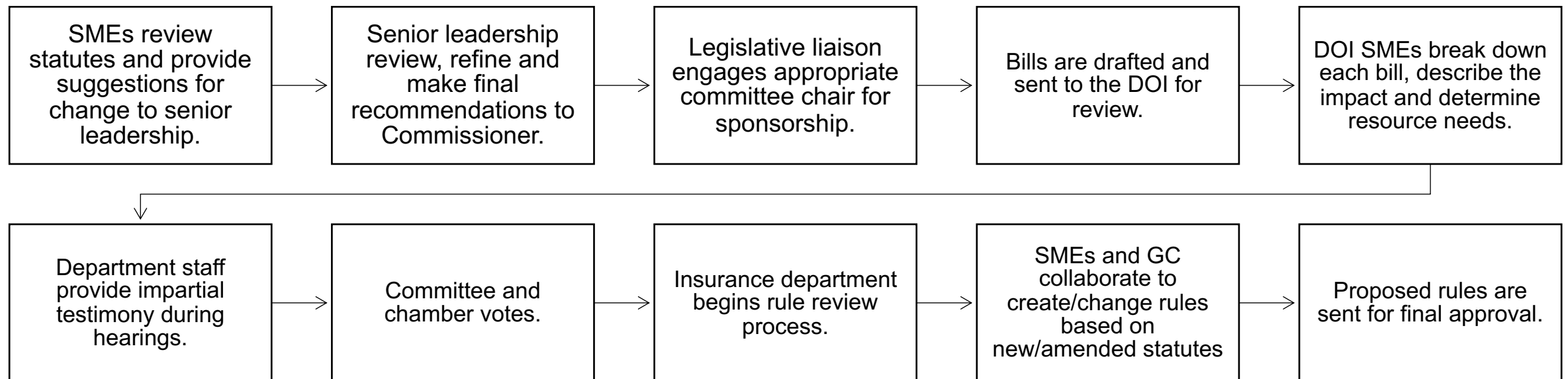
Establish a dialogue with your financial analyst.

- Taylor scheduled filings.

Understand the statutes which regulate your transactions.

Fully utilize industry protections afforded by the Insurance Code.

Legislative Process





Questions?

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