Informal Guidance From TDI on the Form F
TALHI Round Up Annual Meeting
September 26, 2017

Form F

- Purpose of a Form F: To provide insight into current and prospective material risks within the entire holding company system that can pose enterprise risk to the insurer
- SB 1073, 85th Legislature, removed the exemption from filing the Form F for all multi-state companies and holding companies. Texas only insurers may still qualify for an exemption. The Form F is required to be filed from the view of the Ultimate Controlling Person (UCP), addressing all material risks from regulated and non-regulated/non-insurance entities that may pose enterprise risk to a regulated insurer.
- Form F differs from ORSA in two key aspects. One, ORSA is only required of large companies and groups; Form F is required of all companies and groups unless exempted. Two, the scope of ORSA is left to the discretion of insurers and insurance groups; the scope of Form F is the entire holding company, from the UCP down. The scope may be similar for some insurers and insurance groups that file both, but may also be completely different, especially for multi-industrial conglomerates.
- Filers are not required to repeat information already disclosed in the Form B, ORSA or other regulatory filings; references to other filings acceptable. Regulators are looking for key, material and relevant details that are not readily available to the general public
- Form F is comprised of ten (10) general topics or points of interest (see below) and is to be filed with the Lead State
- The Form F is not a form filing and should not be viewed as a compliance filing
- The Form F filing is confidential
- Enterprise Risk Management (ERM) and reporting of enterprise risk is an evolving aspect of insurance regulation (supervision) and must be tailored to the group and legal entity based upon the size, complexity and overall scope of the enterprise.

The enumerated categories below are the areas required to be addressed in the Form F filing (see 28 TAC §7.214); however the examples are provided to assist filers in completing the filing and addressing likely areas of follow-up regulators might have. The examples are not prescriptive or required elements of a filing.

1. **Any material developments regarding strategy, internal audit findings, compliance or risk management affecting the insurance holding company system**

   Examples: changes in senior management, entering into new lines of business or industries; shifts in investment strategy, changes in overall risk appetite or individual tolerances if material

2. **Acquisition or disposal of insurance entities and reallocating of existing financial or insurance entities within the insurance holding company system**

   Examples: risks related to restructuring of the group's organization (including entering into reinsurance pooling agreements); changes in risk appetite and profile due to changes in holding company structure; changes in aggregate risk exposures and diversification due to acquisitions/disposal

3. **Any changes of shareholders of the insurance holding company system exceeding ten percent (10%) or more of voting securities**

   Examples: discussion of risk appetite/profile changes due to change in control.

4. **Developments in various investigations, regulatory activities or litigation that may have a significant bearing or impact on the insurance holding company system**

   Examples: status or results of ongoing and recent investigations, examinations or audits by regulatory bodies (e.g. SEC, IRS, FRB, etc.); results or developments in significant litigation with the potential to impact the insurance holding company system

5. **Business plan of the insurance holding company system and summarized strategies for next 12 months**

   Examples: material changes in underwriting, reserving, or reinsurance strategy; material changes in marketing plans; financial projections for the next 12 months

6. **Identification of material concerns of the insurance holding company system raised by supervisory college, if any, in last year**

   Examples: concerns related to regulatory capital requirements; concerns identified through a review of ORSA or ERM reporting; concerns related to the suitability of key individuals or corporate governance practices

7. **Identification of insurance holding company system capital resources and material distribution patterns**

   Examples: debt level of the insurance holding company system, borrowing capacity; liquidity sources/options; potential need for and ability to contribute additional capital; distribution forecasts, including stock buybacks, dividends (paid and received) or other cash outlays

8. **Identification of any negative movement, or discussions with rating agencies which may have caused, or may cause, potential negative movement in the credit ratings and individual insurer financial strength ratings assessment of the insurance holding company system (including both the rating score and outlook)**

   Examples: The impact of ratings downgrades or changes in outlook on the insurance holding company system; concerns related to specific areas of the insurance holding company system raised by rating agencies during meetings or discussions with the potential that could affect future ratings

9. **Information on corporate or parental guarantees throughout the holding company and the expected source of liquidity should such guarantees be called upon**

   Examples: guarantees or indemnities of a parent, subsidiary or affiliate's debt and/or general obligations; sources of liquidity available to meet guarantee obligations in the event they are triggered

10. **Identification of any material activity or development of the insurance holding company system that, in the opinion of senior management, could adversely affect the insurance holding company system**

    Examples: contagion risk exposures from non-insurance affiliates (e.g. affiliated service agreements, financing arrangements, securities lending programs, etc; reputational risk exposures; cybersecurity incidents; Political risk exposures; technology risk exposures; climate change exposures; Increased competition; human capital exposures