

**To: Members of the Risk Retention (C) Working Group**

**From: Jill Jacobi, Chair of the Risk Retention Group (E) Task Force**

**Date: June 17, 2011**

**Re: Referral Regarding the Draft Statement of Voluntary Dissolution Form 16b for Risk Retention Groups**

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**Background**

During its Spring National Meeting, the Risk Retention Group (E) Task Force (RRGTF or the Task Force) was apprised that the National Treatment and Coordination (E) Working Group (the Working Group) had recently voted to refer Form 16b, Statement of Voluntary Dissolution for Risk Retention Groups (RRGs), to the Financial Condition (E) Committee (the Committee) for consideration and ultimate referral to the Task Force. The Working Group had requested that the RRGTF provide its collective feedback regarding the Form 16b prior to referring it to the Committee.

Attached to this memorandum is a copy of the Form 16b as developed by the Working Group. The purpose of the form is to focus on notifying the registered states when an RRG voluntarily dissolves its corporate status in its domiciliary state. In the past, there have been instances where an RRG has dissolved; however, the insurer did not notify any foreign state(s) where it was registered. The voluntary dissolution form for traditional insurers can currently be located on the Uniform Certificate of Authority Application's (UCAA) web site. The difference between the RRG-specific form attached to this memorandum and the one for traditional insurers on the UCAA web site is that the latter includes a column for statutory deposits for insurers.

The Task Force was asked to review the attached Form 16b and offer any suggestions it felt would improve the form and/or assist the non-domestic regulator in its evaluation/analysis of the RRG's voluntary dissolution. The original plan was that once the Task Force's comments had been submitted to the Working Group, that body would review the feedback and presumably adopt the Form 16b as is or with any proposed changes from the RRGTF. After adoption, the Working Group would have referred the document to the Committee for its consideration, and that body would have presumably referred it to the Property and Casualty Insurance (C) Committee for its consideration and adoption.

The RRGTF discussed the contents and format of the draft Form 16b as part of a May 10 conference call. It was noted that there were some issues that had been raised regarding some of the column items that include taxes, fees and other obligations to the state (including policyholder obligations). The Form 16b was designed to be a tool available for use by the domestic regulator to communicate key information to all states in which the RRG is registered. The Working Group did not decide whether this should be a mandatory form.

A question was raised during the call as to the language in a captive state's laws regarding voluntary dissolutions. One captive domicile noted that whenever an RRG wants to go into run-off or voluntarily dissolve, the state treats that as a change in the company's plan of operations. Among other items, that domestic regulator can approve or deny that application, insist on additional capital, etc. In addition, this state noted it would ensure that policyholders of other states in which that RRG is registered can be adequately covered. If claims could not be addressed properly, the domestic regulator would cease the company and treat it as a liquidation or rehabilitation as opposed to a voluntary dissolution. After further discussion, the Task Force recommended that Form 16b should be mandatory and include a requirement that the domestic regulator communicate with the non-domestic states in which the RRG is registered. Those states said they would then be in a position to assist the domestic regulator in determining if there are adequate resources to meet the obligations of the dissolving RRG.

**Referral**

The Task Force's consensus was that this matter would be most appropriately handled by the Risk Retention (C) Working Group and agreed to refer consideration of Form 16b to the Working Group. The items that the Working Group should address include the following:

- 1) Should it be mandatory for an RRG electing to voluntarily dissolve to complete Form 16b and provide it to the domestic regulator?
- 2) If the answer to question 1 is yes, should there be a requirement of the domestic regulator to communicate the information contained in the completed Form 16b to all other states in which that RRG is registered?
- 3) In debating its answers to questions 1 and 2, the Risk Retention (C) Working Group should be aware that, currently, the Form 16a for traditional insurers is a tool available to all states on the UCAA's website. However, the Task Force also noted that, with respect to RRGs, non-domestic states have much less information available to them. Thus, whatever can be done to enhance the communication between captive domestic and non-domestic states is well received.
- 4) How should captive domestic states share the Form 16b with non-domestic regulators? Should it be posted to I-SITE? Is it the responsibility of the RRG or the domestic regulator to share with other states? One captive state noted that it would be very easy for them to send the completed Form 16b via electronic mail to other states.
- 5) If the Risk Retention (C) Working Group determines that this form is mandatory, when should an RRG be required to complete and file it with the domestic regulator? The RRGTF consensus was that the form should be received by the domestic regulator early enough so that it could be distributed as more of a notification to other "interested" states that an RRG has started the voluntary dissolution process rather than once the action has been completed. This timing would also allow other states to comment (e.g., the RRG has not paid its premium taxes in X state).

The results of the Working Group's consideration of Form 16b and the items above should be sent directly to the National Treatment and Coordination (E) Working Group. The Task Force would appreciate being included on that correspondence. Should you have any questions about the information contained in this referral, please feel free to contact me at 415-538-4426 or Julie Glaszczak (NAIC staff) at 816-783-8130 or [JGlaszczak@naic.org](mailto:JGlaszczak@naic.org). Thank you for your consideration of this important matter.

