July 14, 2014

Mr. James Hattaway, Co-Chairman  
Mr. Doug Slape, Co-Chairman  
Risk-Focused Surveillance Working Group  
National Association of Insurance Commissioners  
2301 McGee Street, Suite 800  
Kansas City, MO  64108-2604

Via E-Mail: bjenson@naic.org

RE: Comments on the Exposed Updated Own Risk and Solvency Assessment (ORSA)  
Financial Analysis Guidance and Updated ORSA Financial Exam Guidance

Dear Messrs. Hattaway and Slape,

The Travelers Companies, Inc. (the “Company”) appreciates the opportunity to comment on the Risk-Focused Surveillance Working Group’s draft ORSA Financial Analysis Guidance and ORSA Financial Exam Guidance. The Company recognizes the importance of insurers having strong Enterprise Risk Management (ERM) Frameworks and the ability to provide insurance regulators a meaningful ORSA Summary Report. Additionally, the Company recognizes the need to provide guidance in both the Examiner and Analysis Handbooks to assist financial examiners with how to review, analyze and utilize an insurer’s ORSA in order for the summary report to be successful utilized in the overall regulatory process. Therefore, we are very supportive of adding guidance to both the NAIC Financial Condition Examiners Handbook and the NAIC Financial Analysis Handbook for the new ORSA filing requirement.

We offer the following concerns and suggestions:

- While we acknowledge that the two handbooks have different purposes which may lead to some inconsistencies, the language in the drafts should be as consistent as possible both with each other and with the guidance in the ORSA Guidance Manual. There are several instances where this does not appear to be the case. One example of this is in the Controls over Capital Section (page 15) of the Financial Analysis Handbook guidance which appears to include guidance that is not in the ORSA Guidance Manual. If the information is important to analysts or examiners, it would be more appropriate to request a change in the ORSA Manual from the ORSA Subgroup prior to including it in the Examination or Analysis Handbook.
We believe that the guidance in the Financial Analysis Handbook should reflect the high level nature of the ORSA Summary Report as it will be difficult for an analyst to make a granular assessment of an insurer’s ERM framework from the “high level” summary report.

We recommend that the guidance on risk should focus on the analyst/examiner developing their own assumption as to the risks faced by each insurer and down play the language on the “9 branded risk categories”. Using more open ended language on the significant risks would avoid any perceptions that the 9 branded risk categories are the basis of a check list that insurers should incorporate into their ERM and ORSA process.

We believe that these documents might be premature at this time and should not be finalized until insurers have filed “live” ORSA Summary Reports and analysts and examiners have had sufficient time to review reports and evaluated as to how the reports can be most effectively incorporated into the analysis and examination process.

In addition to our concerns, we also believe that it is important that the proposed guidance be referred to both the NAIC ORSA Subgroup, to ensure that the guidance for the analysts and examiners is aligned with the ORSA Guidance Manual, and the NAIC’s Actuarial ORSA Subgroup, since it is likely that actuaries will assist in the analysis of the ORSA Summary Reports.

Summary

We are very supportive of providing guidance in the Examiner and Analysis Handbooks on the ORSA Summary Report requirement; however, we believe that it is premature to finalize guidance without having the benefit of actual ORSA Summary Report Filings being reviewed by analysts and examiners. We also believe that it is important to have consistency between the guidance added to the handbooks and the ORSA Guidance Manual, and extremely important that the additional guidance stresses that analysts and examiners should focus on the risks faced by the individual insurer rather than focusing on risks discussed in the ORSA Guidance Manual. Over time we believe that examiners and analysts will develop their own views as to the potential risks faced by insurers, but this approach should be encouraged from the outset. Finally, we believe that the NAIC ORSA Subgroup and the NAIC Actuarial ORSA Subgroup should be included in the review of the proposed guidance.

The Company would like to thank the Working Group for consideration of its comments and would be pleased to discuss our comments further.

Best regards,

D. Keith Bell
cc: Peter Austin
    Ralph Blanchard
    Jay Muska