Texas offers the following:

1. Some aspects of the proposed guidance and language appear to be too lengthy, repetitive, convoluted and difficult to read. General summary of guidance for each section on pages 6-9 are not necessarily relevant and should be deleted as the same information is repeated in the sections that follow.

2. The required documentation sections of both materials (Attachment #1 – Draft ORSA Guidance for Financial Analysis and Attachment #2 – Draft ORSA Guidance for Financial Examination) include sections on risks in its current form or style, which may be interpreted as a prescriptive checklist (for example, checkboxes and tables for completion). Remove such elements while retaining the discussion text that is included alongside them.

3. The required documentation sections should be separated into stand-alone pages or format from the guidance, so analysts and examiners can easily access and use them. A common template should be considered for both analysts and examiners as the shared responsibility will better highlight and engrain the need for coordination.

4. The guidance should avoid emphasizing what the analyst is not able to do or not expected to know, but needs to take a positive tone to highlight that analysts are encouraged and expected to exercise their judgment and have the latitude to do so. The current format in the guidance provides examples for each maturity level for each key principle, but not very clear on which maturity level applies to each narrative or how it should be used. Considering the attributes and activities within the ORSA Summary Report, analysts should be encouraged to use judgment or critical thinking to reach an accurate assessment of the insurer’s maturity level for each assessed principle.

5. In reference to “More Specific Considerations for Reviewing Section 1” guidance provided on page 17, it is suggested that analyst set up a meeting with the Department team members and the insurer’s Chief Risk Officer(s) to discuss the ORSA Summary Report. Is meeting with the Company considered an ORSA review requirement or should it be? The guidance should avoid expressly stating or implying how a section(s) is to be reviewed.

6. The role of analysts and examiners should be clear –cut. Both materials could benefit from a more robust discussion of coordination between examiners and analysts, particularly to prevent duplicative work and clarify how best to use resources. There is language in both materials indicating that the analyst or the examiner “must” accomplish certain objectives without highlighting the potential that this objective has already been accomplished and all the one party (for instance, examiner) needs to do is verify key facts relied upon by the analyst, or that the analyst should rely upon inputs and conclusions reached by the examiners barring material changes in circumstances.

7. The opening paragraph on page 4 under ORSA Summary Report indicates which insurers are required to file under the Model Act #505, but does not include the language regarding the exclusion of the Fed croup and federal flood program premiums. Could such a language bring clarity?
8. Some aspects of Section III – Group Assessment of Risk Capital and Prospective Solvency Assessment may be incomplete until some specific work is done to understand the details of the calculation, which in some cases, may require an on-site inspection. For an effective process, there has to be more communication between the analyst and the examiner. On complex situations, more can be learned about the controls and culture of an insurer by both the analyst and examiner by visiting the Company and interacting with management.

9. How will the findings developed especially in Sections I and II by the analyst be incorporated into the IPS, if the ORSA Summary Report is prepared on a legal entity basis? On the other hand, if the ORSA Summary Report is prepared on a group basis, how will the output from all three Sections be incorporated into the annual holding company (Group) analysis?

10. Please consider the following in the guidance as a general rule:
   Perform spell check to isolate and correct typos;
   Page 33, 1st bullet point the word “test” is missing and should come after stress;
   Avoid the use of words such as “Never”;
   Avoid the manual of “do’s” and “don’ts”;
   Define commonly used terms and consider the use of acronyms to improve consistency;
   Avoid any self-serving type comments, such as “Regulators expect most ORSA Summary Reports to be submitted at the insurance group level…. Regulators believe informative ORSA Summary Reports can be critical in the ongoing financial analysis, or U.S. Insurance regulators are strongly supportive of an ORSA process”.

ORSA Draft Guidance
Comments from Texas