



Company Licensing Best Practices Handbook

2005

NAIC Company Licensing Best Practices Handbook

Table of Contents

Introduction	1
Background	2
UCAA Manual vs. Best Practices Handbook	2
Description of the Best Practices Handbook	3
The Company License Function	3
Interstate Communication	3
Best Practices	3
Conceptual Framework	3
Review of Forms	3
Appendix A – The Uniform Certificate of Authority Application (UCAA).....	3
Appendix B – Use of Electronic Documents	3
The Company Licensing Function	4
Interstate Communication	6
Initiating Interstate Communication	7
Key State	8
Communications and the Domiciliary State	8
Best Practices: Conceptual Framework of Processes and Procedures	9
Chapter Overview	10
Components of the Company License Function	10
Administrative.....	10
Coordination	10
Administrative Filing	11
Analytical Review.....	11
Analysis of Current Condition	11
Risk-Based Prioritization System	11
Use of Risk-Based Prioritization in Application Review	12
Category 1	12
Category 2	13
Category 3	14
Analysis of Business Plan.....	14
Intradepartmental Communications.....	14
Timeliness of Review	15

NAIC Company Licensing Best Practices Handbook

Table of Contents

Best Practices: Application Review	17
Introduction	18
Primary Application.....	19
Primary Application - Redomestication.....	24
Expansion Application	26
Corporate Amendment Application – Adding and Deleting Lines of Business	35
Corporate Amendment Application – Name Change	38
Corporate Amendment Application – Redomestication of a Foreign Insurer	40
Corporate Amendment Application – Change of City within the State of Domicile	42
Corporate Amendment Application – Change of Address/Contact Notification	44
Corporate Amendment Application – Merger of Two or More Foreign Insurers	45
Corporate Amendment Application – Proposed/Completed Change of Control of Foreign Insurer	48
Corporate Amendment Application – Amended Articles of Incorporation.....	51
Corporate Amendment Application – Amended Bylaws	53
Appendix A - The Uniform Certificate of Authority Application (UCAA)	55
The UCAA	56
Primary Application.....	56
Primary Application – Redomestication Only	56
Expansion Application	57
Corporate Amendment Application.....	58
UCAA Forms	58
Review of the UCAA	58
Appendix B – Use of Electronic Documents	59

Introduction

BACKGROUND

In conjunction with the NAIC, the various states, as a part of the ALERT Subgroup (Accelerated Licensing Evaluation Review Technique), have worked toward the goal of streamlining and achieving uniformity in the insurer licensing process. To that end, a Uniform Certificate of Authority Application (UCAA) and corresponding *UCAA Manual* were developed and are currently in use. However, the implementation of UCAA requirements and the standards and procedures involved in the reviewing of applications has not proven to be consistent among the members of the NAIC.

The objective of the Company Licensing Best Practices Handbook (“Best Practices Handbook”) is to provide a framework that, while not pre-empting a state’s authority, promotes consistent decisions while reviewing the standardized UCAA and improves the efficiency of the review process. This Best Practices Handbook is not intended to constitute a comprehensive Company Licensing Procedures Manual. Each state must assess its ability, within the confines of existing statutes, regulations and resource constraints, to implement the recommendations contained herein.

UCAA MANUAL vs. BEST PRACTICES HANDBOOK

The ALERT Subgroup performed a monumental task in bringing order to the various state rules, regulations, requirements and forms facing an applicant. That work is thoroughly documented in the *UCAA Manual* published by the NAIC. This Best Practices Handbook contains numerous references to the forms and processes described in the *UCAA Manual*. Therefore, the *UCAA Manual* should be considered a companion manual to this document.

This Best Practices Handbook deals primarily with the qualitative processes involved in reviewing an application. The concepts and recommended processes and procedures described herein were developed through interviews with various state regulatory personnel involved in the company licensing process and a compilation of the observed best practices. During those interviews several “best practices” concepts became evident. They were:

- **LICENSING PROCESSES:** The company licensing function can be viewed in light of its component processes:
 - **Administrative Filings:** Receipt and processing of certain corporate documents that are needed to establish a corporate existence, but are not subject to qualitative review.
 - **Analysis of Current Financial Condition:** Documentation of the current operating condition of the company.
 - **Analysis of Business Plan:** Review of the company’s explanation for the proposed expansion and/or change in its operations and how those changes will effect the company’s operating condition.
- **INTERSTATE COMMUNICATION:** The licensing process in many states involved the re-determination of the current financial condition of the company. This information should already be known by the domestic state and can be conveyed to the applicant state. The effort saved by not reanalyzing company condition in the company license process can be used to communicate financial condition information to other states when requested.

- **RISK RATING/PRIORITIZATION:** Several states incorporated more or less sophisticated prioritization systems as a part of the licensing function. The scope of the financial review may be adjusted based upon the risk rating of the insurer. The resources saved by reducing effort in reviewing companies on the top and bottom of the scale can be better spent performing a more thorough review of those companies where the effect of an expansion or amendment of the business plan is not so easily evident.

In addition to gathering information necessary to evaluate an applicant, the UCAA was developed to incorporate the majority of state's rules, regulations and requirements relative to company licensing. The goals of this Best Practices Handbook are uniformity and efficiency in the review of company license applications. In some instances, those goals conflict with filing requirements noted in the UCAA. Therefore, it is acknowledged that there may be inconsistencies between this Best Practices Handbook and any specific state's filing requirements.

DESCRIPTION OF THE BEST PRACTICES HANDBOOK

The Company Licensing Function

This chapter provides an overview of the role of the company licensing function as the initial step in state regulatory oversight. The goals of the company licensing function and the risk-based approach to achieving them are described.

Interstate Communication

This chapter discusses a framework for communication and cooperation between an applicant state, the state of domicile and other stake-holder states (if any).

Best Practices

Conceptual Framework

This chapter presents a risk-based framework for the processes involved in analyzing the application.

Review of Forms

This chapter presents a summation of best practices compiled as guidance relative to the analysis and decision making regarding the application.

Appendix A – The Uniform Certificate of Authority Application (UCAA)

This appendix presents a brief overview of the UCAA and how it is referenced in the “Best Practices: Application Review” chapter.

Appendix B – Use of Electronic Documents

This appendix presents a description of UCAA contents that are available in electronic media.

The Company Licensing Function

NAIC Company Licensing Best Practices Handbook

The Company Licensing Function

The company licensing function stands at the threshold of an insurance department's oversight of an applicant's future operations within the state. The function encompasses virtually all areas of regulatory oversight, from solvency surveillance to market conduct, to rates and forms and producers' licensing - and not only within the applicant state insurance department, but also within the insurance department of the domiciliary state. The most difficult stages of regulatory oversight occur at the very beginning and at the very end of an insurer's regulatory life cycle. Never is a more comprehensive understanding of an insurer and its potential for success more critical than when a regulator must grant authority to conduct business, and in those even more difficult circumstances when the regulator must withdraw the authority to conduct business.

In developing this Handbook, a great deal of consideration was given to the assessment of risk in the review of a company license application. All of the current NAIC guidance provided to insurance department personnel relative to insurance company surveillance deals with the assessment of risk present in the individual insurers comprising the population to be regulated. That risk, the risk of financial failure or risk of marketplace improprieties, is to be measured and graded. Current guidance defines procedures in such a manner that regulators maximize the effectiveness of the surveillance process by concentrating on the areas, or companies, of greatest risk. This approach by its nature, forgoes the idea of "zero" risk. The cost of obtaining zero risk is prohibitive and the effort expended in its pursuit is better spent in other endeavors.

Similarly, regulators involved in reviewing company license applications must adhere to the same goals. The review of the company license application should be structured so that applicants' risks of financial failure or marketplace impropriety are identified and addressed. Procedures exist in the Financial Analysis Handbook, the Financial Condition Examiners Handbook and the Market Conduct Examiners Handbook for monitoring companies subsequent to admission. Company licensing personnel should concentrate on those issues that indicate an applicant may harm the citizens of their state, either through financial failure or marketplace improprieties, as a result of granting or amending a certificate of authority.

Therefore, the procedures described herein represent a departure from the conventional approach to the review of a company license application. In some instances it is recommended that documents submitted with an application should be subject to minimal review. Those documents, although necessary to establish an applicant as a legal entity, do not provide significant insight into the risk profile of a company. By accepting the risk of a minor compliance violation (that, after all, will still be the subject of ongoing monitoring), the regulator will maximize the effectiveness of their department and better fulfill their responsibilities to the citizens of their state.

Interstate Communication

INITIATING INTERSTATE COMMUNICATION

The expansion and/or alteration of a company's operations are of equal importance to the regulators in both the expansion states and the domestic state. The results of unsuccessful expansion plans cut across state boundaries – a troubled company is “troubled” in all states. It follows that the analysis of a company's condition and business plan should be accomplished through a coordinated effort. Ultimately, each state operates under its own statutory authority and is responsible for the protection of its own policyholders. Interstate communication and cooperation is not intended to relinquish the authority of any state or to disadvantage any state; rather, it is intended to facilitate efficiencies that will be achieved when applicant states coordinate the company licensing process with all states involved, including, most importantly, the domestic state.

The NAIC Financial Regulation and Accreditation Program requires states to provide for the sharing of otherwise confidential information, administrative or judicial orders, or other action, with other state regulatory officials, provided that those officials are required under their law to maintain its confidentiality. The NAIC “Master Information Sharing and Confidentiality Agreement” allows signatory states to share confidential information with other signatory states. As of this writing, 50 states and the District of Columbia have signed the agreement. Current information can be accessed through the NAIC –I-SITE application under StateNet or <http://i-site-state.naic.org/cgi-bin/statenet/>.

Prior to submitting an application in a foreign state, the insurer should inform the state of domicile of its plans in the foreign state(s). If the state of domicile holds important concerns regarding the applicant's plans, such concerns should be communicated to the senior financial regulator in the applicant state(s). Similarly, after receipt and an initial review of an application, the applicant state may contact the senior financial regulator in the domiciliary state to open a dialogue regarding the applicant. Preferably, this communication should occur as early in the application process as possible to allow consideration of the information within an appropriate timeframe. The dialogue should include:

- Is the applicant concurrently applying to additional states?
 - If so, contact other states to coordinate information available from the domiciliary state.
 - If the company does the majority of its business in a state other than the domiciliary state, the applicant and domiciliary states may consider communication with a “Key State” as discussed below. However, even if a key state is identified, the domiciliary state will remain the primary regulator.
- Domiciliary (and key) state's analysis of current condition of the applicant.
 - Has the domiciliary state performed a risk analysis of the applicant?
 - If the risk analysis performed by the domiciliary state is understandable to the applicant state and is substantially similar to the prioritization system defined in this Handbook, the applicant state should consider accepting the analysis in lieu of performing an additional financial analysis of the applicant company.

NAIC Company Licensing Best Practices Handbook

Interstate Communication

- Analysis of Business Plan by Applicant State(s)
 - Are the operations described in the business plan consistent with the demonstrated experience and expertise of the company?
 - Does the business plan have the potential to significantly alter the condition of the company?
 - After consideration of the company’s condition, business plan and any other relevant information, has the domiciliary state transmitted any information having a bearing on the application?

KEY STATE

In some instances other states may have information pertinent to the application. In those instances, a “Key State” may be considered for consultation in addition to the domiciliary state. The Key State may emerge based on the state with the largest premium volume, the state of domicile of the parent of the holding company, or other reasons. The “Key State” should not assume the responsibilities of either the applicant state or the domiciliary state. A “Key State” should be identified solely as an additional source of information regarding the applicant.

COMMUNICATIONS AND THE DOMICILIARY STATE

As previously stated, the applicant company should inform the domiciliary state of its plans to file company licensing applications in foreign states. In addition, communications between the applicant state(s) and the insurer may contain information regarding specifics of the applicant state’s marketplace that may significantly impact the insurer’s proposed business plan. The use of the electronic UCAA provides a mechanism for tracking such correspondence. This will allow the domiciliary state to remain cognizant of these communications and the relevant information, while the decision on the expansion remains with the expansion state.

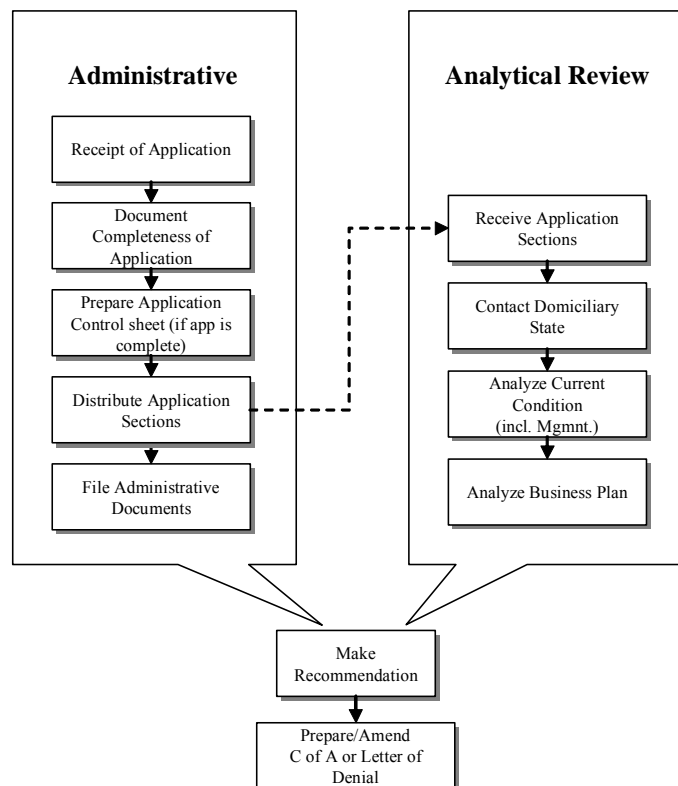
Best Practices: Conceptual Framework of Processes and Procedures

CHAPTER OVERVIEW

This chapter will discuss a framework for the process flows that occur within the Company Licensing Function. The significant procedures within those process flows are discussed in detail, although guidance on the review of specific UCAA sections and forms is contained in the “Best Practices: Application Review” chapter.

COMPONENTS OF THE COMPANY LICENSING FUNCTION:

Depending on the type of application, the processing of a company license application can be broken down into one or more of the following components as shown in the graphic below:



Administrative:

Coordination: This component begins with the receipt and recording of an application and its supporting documentation. The application should be reviewed to determine that a response exists for all inquiries. Supporting documents should then be reviewed to determine that they are, in fact, responsive to the UCAA requirement. The degree of the completeness and/or responsiveness of the application must be assessed to determine if processing of the application can proceed without further input from the applicant. It is recommended that the state issue a letter to the company acknowledging receipt of the application.

Timeliness: If processing can commence, an “application coordinator” should employ a spreadsheet, database, TeamMate file, or other mechanism (if the application was not received via the NAIC electronic UCAA utility) to record the assignment of application review

responsibilities and the progress of the review against the timelines recommended in the *UCAA Manual*:

- 14 days to review an application for completeness
- The goal is to notify the company of supplemental information required from the applicant within 30 days of applications. However, there may be situations where supplemental information provided requires clarification or a second review of the application requires requesting additional information.
- It should be noted, if additional information is needed to complete the review of an application, the review may also take longer to complete. Once a request for additional information has been made, the 60-day or 90-day goal is suspended until the requested information is received.
- 90 days to process a primary application
- 60 days to process all other types of applications

It is recommended that the state send the company regular correspondence regarding the progress of the application.

Administrative Filing: This component consists of the review and filing of administrative documentation, which, while critical to the establishment of the applicant as an operating business organization, is generally not subject to substantial qualitative analysis. This includes receipt of filing fees, articles of incorporation and by-laws, statutory deposits, membership in mandatory associations, consent to service of process as well as other state specific requirements (see discussion of specific forms in “Best Practices: Application Review” chapter).

Analytical Review:

Analysis of Current Condition: The financial condition and management practices of the applicant must be ascertained to determine they are of sufficient quality to permit the applicant to sell insurance products to the citizens of the state.

Except for a primary application, the analysis of the applicant’s current condition should begin with contact to the domiciliary (and Key) state as described in the “Interstate Communications” chapter. Company licensing analysts should confer with financial analysts in the domiciliary (and Key) state to determine the overall operating condition of the company based on a risk-based prioritization system, and plan the scope of review activities accordingly.

Regardless of the prioritization of the applicant insurance company, business plan or financial projections should be reviewed, at a minimum, for material deficiencies with all of the expansion state’s company licensing requirements such as reasonableness, honesty and fairness in methods of doing business, reinsurance arrangements, capital and surplus, character and quality of investments, and potential for hazardous operations or unstable financial conditions.

Risk-Based Prioritization System

The utilization of a risk-based prioritization system is the key to the efficient analysis of an applicant’s current condition. The NAIC *Financial Analysis Handbook* suggests that domestic insurers be “prioritized” or ranked according to each insurer’s “relative stability.” The Financial

NAIC Company Licensing Best Practices Handbook

Best Practices: Conceptual Framework of Processes and Procedures

Analysis Handbook provides general guidance regarding such rating, but leaves the determination of specific prioritization metrics up to the domiciliary state. Tools currently available for use include: IRIS ratios, Analyst Team System results and FAST.

Other initiatives have been undertaken to more specifically define a broad-based system of prioritizing insurers based on operational practices as well as financial condition. During the development of this Handbook, it was noted that several states have developed such holistic models. The use of these models is clearly the best practice for determining the current overall condition of an insurer, and then assigning a prioritization that can be used to determine the appropriate scope of analytical review for a specific application. However, in each case, the specifics of the model are considered confidential.

Therefore, for the purpose of this Handbook, a prioritization system will be discussed and the general characteristics of each prioritization category will be described.

Use of Risk-Based Prioritization in Application Review

The use of risk-based prioritization in the application review process carries the same risks and benefits inherent in any risk-based evaluation system. The goal of all such systems are to eschew the costly practice of reducing risk to zero, and instead to define a level of acceptable risk. The use of risk-based prioritization means that, in some instances, all the documents included with an application will not be reviewed in detail. However, the risk of not reviewing those documents in detail is mitigated by a company's low risk of financial failure and by providing additional time to review the company's business plan.

During the development of this Handbook, almost all company licensing personnel interviewed indicated that they were able to quickly, even if only informally, identify companies whose applications were likely to be approved. States that utilized risk-based prioritization systems were able to more formally document those applicants. Through the use of a formal risk-based prioritization system, company licensing analysts can reduce the scope of their review of strong applicants, thus conserving effort better served in the review of marginal applicants.

The following guidance provides a recommended scope of review for each prioritization category.

Category 1

Insurers included in category 1 appear sound in every respect. Any identified weaknesses are minor and should be handled routinely by executive management. These insurers are the most capable of withstanding fluctuating business conditions and are generally resistant to outside influences, such as adverse economic trends and instability in capital markets. This may be due to the financial condition of the insurer, and may take into account the strength of the parent or other members of its holding company group. According to the domiciliary regulator, these insurers are in substantial compliance with laws and regulations. As a result, they exhibit the strongest performance and risk-management practices relative to their size, complexity, and risk profile, and give no cause for regulatory concern. The risk to policyholders and/or guaranty funds is currently viewed as very remote.

For these companies, the analysts should consider foregoing an in-depth review of information relevant to the company's current operating condition (e.g. financial documents included with

NAIC Company Licensing Best Practices Handbook

Best Practices: Conceptual Framework of Processes and Procedures

Public Records Package, or the Holding Company Statements). Rather, the company licensing analyst should focus on the quality and assumptions of the business plan to determine whether:

- The company has a demonstrated history (e.g., three years) with the lines of business for which it is applying.
 - If the company is applying for lines of business for which it has less than 3 years of history, the analyst should review the business plan to identify, and/or request additional information regarding, key management personnel responsible for administering the new lines of business.
- Key personnel have been in place for a sufficient period of time to demonstrate their insurance management expertise.
- The scope of the expanded operations is not imprudent relative to the financial strength of the company.

Category 2

Insurers in category “2” present the greatest challenge to the company licensing analyst. They are neither an obvious candidate for approval nor for denial, based on their current overall condition. Insurers in category 2 appear fundamentally sound, but may exhibit some degree of regulatory concern in one or more areas. These insurers are relatively stable, could withstand moderate business fluctuations, and are in substantial compliance with laws and regulations. While the overall, risk-management practices are satisfactory relative to the insurer’s size, complexity, and risk profile, these companies exhibit certain notable adverse risk characteristics. There are no current material supervisory concerns and, as a result, the regulatory response is informal and limited. The risk to policyholders and/or guaranty funds is currently viewed as remote, however significant factors exist that may result in financial stress in the longer term.

In this instance the company licensing analyst should re-analyze the financial information provided with the application in order to better understand the exact nature of the company’s weaknesses. However, it is important that communication between senior-level department personnel in the domiciliary (and key) state remains active. The domiciliary state can provide insight into the resolution of adverse financial or market conduct examination findings and the extent to which the company has remediated the deficiencies. Once the analyst has gained comfort with his/her knowledge of the company’s current operational condition, the business plan should be diligently reviewed in order to determine whether:

- The company has a demonstrated history (e.g., five years) with the lines of business for which it is applying.
 - If the company is applying for lines of business for which it has less than 5 years of history, the analyst should review the business plan to identify, and/or request additional information regarding, key management personnel responsible for administering the new lines of business.
- Key personnel have been in place for a sufficient period of time to demonstrate their insurance management expertise.

- The scope of the expanded operations is not imprudent relative to the financial strength of the company. If the expanded operations are in new lines of business, more stringent standards should be applied when assessing the potential effect of expanded operations on the condition of the company.
- The domiciliary state noted any operational or compliance deficiencies in lines of business similar to those planned for the expanded operations.

Category 3

Otherwise, insurers in category 3 exhibit some degree of regulatory concern in one or more areas. These insurers have a combination of moderate to severe weaknesses that may exhibit unsafe and unsound practices or conditions. The insurer is moving toward meeting criteria indicative that it is operating in a manner that is financially hazardous to policyholders and/or the public. They have serious financial or managerial deficiencies that result in unsatisfactory performance and problems are not being satisfactorily addressed or resolved by the board of directors and management. Insurers in this group generally are not capable of withstanding even moderate business fluctuations. There may be significant noncompliance with laws and regulations. Risk-management practices are generally unacceptable relative to the insurer's size, complexity, and risk profile. Close regulatory attention is required, which means formal action is necessary in most cases to address the problems. Insurers in this group pose a risk to the state guaranty fund. Failure of the insurer is probable if the problems and weaknesses are not satisfactorily addressed and resolved.

Category 3 companies are generally not considered good candidates for expansion. However, senior-level department personnel should contact their counterparts in the domiciliary state to determine if there is any reason to perform further analysis in consideration of approval of the application. In certain unique circumstances, based on the line of business offered and the market conditions in the expansion state, it may be appropriate to pursue licensure under heavily monitored criteria.

Analysis of Business Plan: The applicant's plan for conducting business in new jurisdictions must be evaluated to determine if the plan is consistent with the applicant's demonstrated capabilities and the state's marketplace. Further guidance for the analysis of business plans is included in the "Best Practices: Application Review" chapter.

Intradepartmental Communications

In addition to communications with other jurisdictions, it is important that the Company License Coordinator convey information regarding pending applications to other divisions within the insurance department. The licensing of a new entity or expansion of authority will impact other divisions once the new or amended certificate of authority is issued.

Actuarial – The Actuarial section should understand the business plan filed with an application in order to adequately monitor any future reserving issues or other actuarial concerns.

Financial Analysis – Once a new or amended certificate of authority has been issued the financial analysis division of the insurance department will assume monitoring responsibilities.

The financial analysis section should understand the business plan filed with an application in order to monitor future results against that plan.

Market Conduct and/or Analysis (including consumer complaints and enforcement) – The Market Conduct/Analysis section should understand the business plan to anticipate any issues and to monitor future results against the plan.

Policy Approval – Although policy forms are not a required component of the company license application, they are one of the most significant indicators of a company's actual business intentions. The financial analysis section should coordinate with the policy approval section to monitor policy filings from the newly licensed company to determine that they are consistent with the filed business plan.

Producer Licensing – Similar to policy approval, the appointment of producers must be consistent with the scope of the new company's business plan. The financial analysis section should similarly coordinate with the producer licensing section to monitor producer appointments by the new company.

Timeliness of Review

Perhaps no issue surrounding the company licensing process creates greater interest than that of timeliness. The *UCAA Manual* contains suggested guidance for the processing of various types of applications, including interim timelines. Although regulators should not sacrifice an appropriate level of review solely in the pursuit of expediency, it is imperative that every effort be made to adhere to the processing times recommended in the *UCAA Manual* when reviewing Category 1 companies:

- 14 days to review an application for completeness
- The goal is to notify the company of supplemental information required from the applicant within 30 days of applications. However, there may be situations where supplemental information provided requires clarification or a second review of the application requires requesting additional information.
- It should be noted, if additional information is needed to complete the review of an application, the review may also take longer to complete. Once a request for additional information has been made, the 60-day or 90-day goal is suspended until the requested information is received.
- 90 days to process a primary application
- 60 days to process all other types of applications
- Complexities involved with the review of Category 2 and 3 companies may adversely affect a state's ability to meet these timelines recommendations. Notwithstanding these complexities, the regulator should make all reasonable efforts to maintain timely communication with the applicant companies.

Best Practices: Application Review

Introduction

In this chapter, recommendations for the review of each type of application are presented. The recommendations are based on the concepts of risk prioritization and interstate communications presented in the previous sections of this Handbook.

Within each application type, the review recommendations are presented in the following format:

- Application Type:
 - Chart Illustrating the UCAA sections of the application
 - Recommendations for reviewing the “Administrative Filings” sections of an application
 - Recommendations for reviewing the “Analysis of Current Condition” sections of an application
 - Depending on the type of application, there may be subsections based on the risk profile of the applicant
 - Recommendations for reviewing the “Analysis of Business Plan” sections of an application
 - Depending on the type of application, there may be subsections based on the risk profile of the applicant

Primary Application

A Primary Application is to be used for domestic insurers.

The classification of the application sections is illustrated in the following chart:

Application Section	Administrative Filing	Analysis of Current Condition	Analysis of Business Plan
1. Application Form and Attachments	☑		
2. Filing Fee	☑		
3. Minimum Capital and Surplus Requirements		☑	
4. Statutory Deposit Requirements	☑		
5. Name Approval	☑		
6. Plan of Operation			☑
7. Holding Company Form "B" Registration Statement		☑	
8. Statutory Membership(s)	☑		
9. SEC Filings or Consolidated GAAP Financial Statement		☑	
10. Debt-to-Equity Ratio Statement		☑	
11. Custody Agreements			☑
12. Public Records Package	☑		
13. NAIC Biographical Affidavits		☑	

Administrative Filing

Application Sections:

Section 1. Application Form and Attachments

- Form 1P “Checklist”– The Coordinator should review the Checklist for completeness and that all described documents are included in the application.
- Form 2P “Primary Application” – The Coordinator should review the form for completeness.
- Form 3 “Lines of Insurance” – Only the applied for lines will be required for a newly formed company. The entire Form 3 will be required for a redomestication.

Section 2. Filing Fees

- Review check submitted in payment of fees for correct amount. In some instances the check may be held by another section of the Department. In that case, review the description of the check received.
- Forward check for deposit or provide information for proper processing of check.
- Filing fees range from \$-0- to in excess of \$5,000 and are generally retaliatory.

Section 4. Statutory Deposit Requirement

- Form 7 “Certificate of Deposit” – Coordinator should review the form and compare the amount of the deposit to the State’s requirement.
- These funds are deposited with the Commissioner, generally through a safekeeping or trust receipt, to be held for the benefit and protection of, and as security for, all policyholders and, in some instances, creditors of the insurer making the deposit. Additional deposits are generally required of those insurers applying to write lines of business not covered under state insurance guaranty funds (e.g., guaranty, fidelity, surety, and bond business) or otherwise (e.g., workers compensation). The ultimate purpose of these funds is to ensure that liquid assets are unencumbered and available for use by the Commissioner or his designee for the administration of the insurer’s estate should it become insolvent.

Section 5. Name Approval

- Coordinator should determine that a name approval request consistent with the State’s requirements has been filed. If State requirements dictate, the request should be forwarded to the appropriate area for processing.
- Typically state insurance departments incorporate insurers, but some states require the involvement of the Secretary of State or the Attorney General. Names are submitted for pre-approval because the public has the right to know with whom it is dealing and therefore, someone must determine that the name is not so similar to another as to be likely to deceive or mislead. The name should be such as to show that the company is engaged in the insurance business and preferably to show the type of business. Some states provide for publication and subsequent hearing to ensure that any objections are addressed.

Section 8. Statutory Memberships

- Coordinator should compare the application to the State requirements for statutory memberships and determine that appropriate documentation supporting the membership application is included.
- Some states require a positive application and confirmation regarding membership in state mandated risk pools or other organizations. In other words, an insurer may not automatically be a member by virtue of its certificate of authority, but may be required to join outside the jurisdiction of the insurance department.

Section 12. Public Records Package

- Coordinator should compare the contents of the public records package with state requirements. Financial documents should be forwarded to the areas expected to utilize the documents. Operational documents (other than the application form) should be filed as required.

Analysis of Current Condition

Note: Generally the scope of the analysis of current condition would depend on the risk prioritization of the applicant. With a primary application (not a redomestication), of course, there

is no information upon which to establish a risk prioritization and the use of that technique is inapplicable.

Application Sections:

Section 3. Minimum Capital and Surplus Requirements

- This document should make it clear that the applicant understands state law with respect to the amount of capital and surplus that must be maintained at a minimum. In some states, the minimum capital and surplus requirements are determined by the classes of insurance that the applicant is requesting authority to transact and the classes of insurance the applicant is authorized to transact in all other jurisdictions. The analyst should determine the level of surplus required after considering the applicant's plan of operation. Compliance with the statutorily prescribed minimum surplus requirement may not be sufficient for all applicants.

Section 7. Holding Company Form "B" Registration Statement

- If the applicant is a member of a holding company system, the application must include either the most recent Annual Form B Registration Statement or a statement substantially similar to the NAIC model. Form B information should be considered to determine the role of the applicant within the holding company structure, the financial capacity of the parent to support an insurance operation and the existence of relevant insurance operations experience in the proposed parent or affiliates. Affiliates are identified along with a description of any transactions between the insurer and an affiliate currently outstanding or during the last calendar year. Copies of all advisory, management and service agreements and other attachments need be reviewed for fair and equitable terms.

Section 9. SEC Filings or Consolidated GAAP Financial Statement

- If the applicant, its parent or its ultimate holding company has made a filing or registration with the Securities and Exchange Commission (SEC) in connection with a public offering within the last three years, or filed an 8K, 10K or 10Q within the last 12 months, the filing, including any supplements or amendments, is available electronically from the SEC. If the applicant, its parent or its ultimate holding company is not publicly traded, the application must include a copy of the applicant's most recent Consolidated GAAP financial statement.

Similar to the Form "B" Registration Statement, these filings will provide insight into the financial capacity of the parent to support an insurance operation and the existence of relevant insurance operations experience in the proposed parent or affiliates, as well as information regarding the control environment of the enterprise included as result of Sarbanes-Oxley reporting requirements.

Section 10. Debt-to-Equity Ratio Statement

- The Debt-to-Equity Ratio Statement should be reviewed to determine the debt service burden that is likely to be placed upon the applicant. Debt service should only be provided through earnings not needed by the insurer to service its own operations.

Section 13. NAIC Biographical Affidavits

- These documents are used to perform an employment and criminal history check to assess the competency, character and integrity of those persons ultimately responsible for the operations of the insurer. Persons to be reviewed are the controlling owners, the directors and the key management with the ultimate authority over the financial and operational decisions of the insurer, such as the CEO, COO, CFO, Secretary, Chief Marketing Officer and Treasurer.

Fingerprint data, if available, can be used to validate the identity of personnel and check for criminal background. Information in the Biographical Affidavit can then be utilized to verify employment and educational background.

Analysis of Business Plan

Note: Generally the scope of the analysis of the business plan would depend on the risk prioritization of the applicant. With a primary application (not a redomestication), of course, there is no information upon which to establish a risk prioritization and the use of that technique is inapplicable.

Application Sections:

Section 6. Plan of Operation

- Business plans are written descriptions of expected market conditions, company operations, and related forecasted financial results. The plan of operation section of the UCAA refers to three components: a brief narrative, pro-forma financial statements/projections and a completed Questionnaire (Form 8).
- Overly rapid growth in premium volume, inappropriate pricing, inappropriate underwriting, and product mix are important areas of concern when reviewing a business plan.
- The pricing of insurance products is a difficult task. The premium is established based on estimates of a number of unknown future events. The effects of a failure to accurately estimate the cost of those events or to provide a sufficient margin for adverse deviation from the estimate may not be apparent for a long time. The types of business written by an insurer affect the ability of the insurer to estimate future costs. Certain lines of business are, by their nature, more volatile than others in claim cost experience. Also, the long-tail nature of some lines of business increases the level of uncertainty in estimating future costs. Setting premium rates solely on the basis of rates charged by competitors, without consideration for possible differences in the quality of the business that the insurer and its competitors are writing, should be a concern. The description of pricing should indicate the coordination between the company's actuarial and underwriting and marketing departments.
- The pro forma financials should be reviewed for consistency with the stated business plan and reasonableness with respect to assumptions. Projections should be based upon well-described and defensible assumptions that are attainable under the circumstances described in the business plan. The department should consider a review of the business plan and pro forma financials by department actuaries and/or other experts.

- The insurance department should consider obtaining a pledge from the company to notify the insurance department if any deviations from the filed plan of operation are initiated by the company within three years of admission.

Section 11. Custody Agreement

- Custody Agreements should be reviewed to determine that the proposed insurer will actually possess its proposed start-up funding. Also, since invested assets make up a significant portion of the asset side of the balance sheet, control of those assets are of utmost importance. The Financial Condition Examiners Handbook provides excellent guidance in reviewing this item.

Primary Application – Redomestication

The redomestication of an insurer presents unique challenges. It is the only licensing-related transaction in which a foreign insurer becomes a domestic insurer of the applicant state. As such, the applicant state will assume primary regulatory oversight of the applicant. Therefore, it is important that the applicant state obtain a level of understanding of the insurer’s condition and operations equivalent to that of its other domestic companies.

It is recommended that both the current and proposed domiciliary states have a thorough understanding of the underlying reasons for redomestication. To that end, a meeting with Company representatives should be held prior to the filing of an application.

The classification of the of the application sections is illustrated in the following chart:

Application Section	Administrative Filing	Analysis of Current Condition	Analysis of Business Plan
1. Annual Statements with Attachments		☒	
2. Quarterly Financial Statements		☒	
3. Risk-Based Capital Report		☒	
4. Independent CPA Audit Report		☒	
5. Reports of Examination		☒	
6. Certificate of Compliance		☒	

Application Sections:

The information provided in the application sections noted in the primary application should be viewed in conjunction with items 1 – 6 above.

Section 1. Annual Statements with Attachments

- The level one review as outlined in the NAIC Financial Analysis Handbook should be performed.
- Management’s Discussion and Analysis
 - The narrative should be reviewed for explanations of fluctuations in areas such as losses and premium income. Significant events such as expansion into a new line of business or territory will be explained along with other changes that will have been noticed in the review of the annual statement. The information provided in this document should be consistent with the plan of operations.
- Actuarial Opinion
 - The actuarial opinion is reviewed for any qualifications or unusual comments along with any explanation of material risk factors.

Section 2. Quarterly Statements

- The quarterly statements are reviewed for any unexplained inconsistencies or fluctuations from the annual statement.

Section 3. Risk-Based Capital Report

- The risk-based capital report should be reviewed for significant risk components such as reserves, premium, reinsurance recoverables and investments. The support for those significant risk components should be reviewed for appropriateness. In addition to comparing the action and control levels to the Total Adjusted Capital, the business plan and other information should be reviewed to ensure all risks are adequately addressed.

Section 4. Independent CPA Report

- The statutory audited financial statement should be reviewed for any differences with the annual statement. The opinion should be non-qualified. The notes should be read for a better understanding of the company along with any comments or concerns.

Section 5. Reports of Examination

- The financial examination report provides an understanding of the insurer, addresses the accuracy of the filed financial statements and identifies any issues noted with respect to corporate governance. Review of this document should concentrate on compliance issues and comments and recommendations. The applicant should provide follow-up documentation regarding any concerns noted by the domestic state.
- The applicant state should consider contacting the domiciliary state if concerns exist regarding the insurer's complaint levels, response times, etc.

Expansion Application

The classification of the application sections is illustrated in the following chart:

Application Section	Administrative Filing	Analysis of Current Condition	Analysis of Business Plan
1. Expansion Application Form	☑		
2. Filing Fee	☑		
3. Minimum Capital and Surplus Requirements		☑	
4. Statutory Deposit Requirements	☑		
5. Name Approval	☑		
6. Plan of Operation			☑
7. Holding Company Form B Registration Statement		☑	
8. Certificate of Compliance		☑	
9. Report of Examination		☑	
10. Statutory Memberships	☑		
11. Public Records Package	☑		
12. NAIC Biographical Affidavits		☑	
13. Uniform Consent to Service of Process	☑		
15. Retaliatory Statement	☑		

Administrative Filing

Overall Responsibilities: One person in the Department should be assigned as the key administrative coordinator for company license applications. This person will be responsible for maintaining a record of applications received, correspondence regarding the application, information received relative to an application, distribution of application materials and the monitoring of time frames regarding the processing of the application. It is recommended that the coordinator utilize a method for tracking the progress of the application; whether it is through the use of the electronic UCAA filing, a database, a word processing document, a spreadsheet or even a TeamMate file.

The completeness of an application is expected prior to the official initiation of the review process and the corresponding start of the “clock.” However, the absence of certain items should not preclude the initial contact with the state of domicile and the start of the review of the significant aspects of the application. For example, the absence of corporate documents such as the current Articles of Incorporation or an incomplete response on a form should not preclude the contact with the domestic state and a preliminary review of the plan of operations and the biographical affidavits.

Application Sections:

The prioritization of the applicant company has no effect on the Administrative Filings processes.

Section 1. Expansion Application Form

- Form 1E “Checklist”– The Coordinator should review the Checklist for completeness and that all described documents are included in the application.
- Form 2E “Expansion Application” – The Coordinator should review the form for completeness.
- Form 3 “Lines of Insurance” - The Coordinator should utilize the Lines of Business Matrix in the UCAA Manual to compare the lines of business authorized in the company’s domiciliary state (per the Certificate of Compliance) with the applied for lines of business.

Section 2. Filing Fees

- Review check submitted in payment of fees for correct amount. In some instances the check may be held by another section of the Department. In that case, review the description of the check received.
- Forward check for deposit or provide information for proper processing of check.

Section 4. Statutory Deposit Requirement

- Form 7 “Certificate of Deposit” – Coordinator should review the form and compare the amount of the deposit to the State’s requirement.
- These funds are deposited with the Commissioner, generally through a safekeeping or trust receipt, to be held for the benefit and protection of, and as security for, all policyholders and, in some instances, creditors of the insurer making the deposit. Additional deposits are generally required of those insurers applying to write lines of business not covered under state insurance guaranty funds (e.g., guaranty, fidelity, surety, and bond business) or otherwise (e.g., workers compensation). The ultimate purpose of these funds is to ensure that liquid assets are unencumbered and available for use by the Commissioner or his designee for the administration of the insurer’s estate should it become insolvent.

Section 5. Name Approval

- Coordinator should determine that a name approval request consistent with the State’s requirements has been filed. If State requirements dictate, the request should be forwarded to the appropriate area for processing.
- Typically state insurance departments incorporate insurers, but some states require the involvement of the Secretary of State or the Attorney General. Names are submitted for pre-approval because the public has the right to know with whom it is dealing and therefore, someone must determine that the name is not so similar to another as to be likely to deceive or mislead. The name should be such as to show that the company is engaged in the insurance business and preferably to show the type of business. Some states provide for publication and subsequent hearing to ensure that any objections are addressed.

Section 10. Statutory Memberships

- Coordinator should compare the application to the State requirements for statutory memberships and determine that appropriate documentation supporting the membership application is included.
- Some states require a positive application and confirmation regarding membership in state mandated risk pools or other organizations. In other words, an insurer may not automatically be a member by virtue of its certificate of authority, but may be required to join outside the jurisdiction of the insurance department.

Section 11. Public Records Package

- Coordinator should compare the contents of the public records package with state requirements. Financial documents should be forwarded to the areas expected to utilize the documents. Operational documents (other than the application form) should be filed as required.

Section 13. Uniform Consent to Service of Process

- Form 12 “Uniform Consent to Service of Process” – Coordinator should review the form for completeness and file as appropriate.
- This document designates the commissioner or a resident of the state to receive service of process on behalf of the company. Persons or entities to receive forwarded service of process from the commissioner are also provided.

Section 15. Retaliatory Statement

- Form 15 “Retaliatory Statement”

Analysis of Current Condition

Category 1

The expansion state should determine the prioritization category of the applicant based upon its analysis. For applicants prioritized as “Category 1,” the applicant state should contact the domiciliary state if there are any questions or concerns.

Category 2

If, after discussion with the domiciliary state it is determined the applicant is a “Category 2” company, the expansion state should perform sufficient analysis to fully understand the financial condition and operating practices of the applicant in order to assess the effect of the proposed business plan.

Section 3. Minimum Capital and Surplus Requirements

- This document should make it clear that the applicant understands the expansion state law with respect to the amount of capital and surplus that must be maintained at a minimum. The expansion state processor or analyst can easily determine the applicant’s capital and surplus position by looking at the filed financial statement. The requirement for this document should make it clear that the applicant has read and understands the underlying surplus requirements. The amount required varies from stated capital and free surplus of specific dollar amounts based on lines of authority to a percentage of risk-based capital.

Section 7. Holding Company Form “B” Registration Statement

- The current registration statement will provide the insurer’s capital structure, general financial condition, ownership and management along with that of any person controlling the insurer. Affiliates are identified along with a description of any transactions between the insurer and an affiliate that is currently outstanding or was incurred during the last calendar year. A review of this document by an expansion state provides insight into the operations of the insurer and its relationships with its affiliates. Attachments and agreements should only be requested for transactions or items material to the business plan for that state.

Section 9. Reports of Examination

- As the record of periodic on-site examinations of the applicant’s compliance and accuracy of its financial statements, review of this document should concentrate on compliance issues and comments and recommendations. The applicant should provide follow-up documentation regarding any concerns noted by the domestic state.
- The applicant state may consider contacting the domiciliary state if concerns exist regarding the insurer’s complaint levels, response times, etc.

Section 11. Public Records Package

- The items included in the Public Records Package are familiar to all financial analysts and can be utilized to complete the reviews described in the NAIC Financial Analysis Handbook. Unusual results should be discussed with the domiciliary state.

Section 12. NAIC Biographical Affidavits

- These documents are used to perform an employment and criminal history check to assess the competency, character and integrity of those persons ultimately responsible for the operations of the insurer. Persons to be reviewed are the controlling owners, the directors and the key management with the ultimate authority over the financial and operational decisions of the insurer, such as the CEO, COO, CFO, Secretary, Chief Marketing Officer and Treasurer.

Fingerprint data, if available, can be used to validate the identity of personnel and check for criminal background. Information in the Biographical Affidavit can then be utilized to verify employment and educational background, if necessary.

Category 3

Category 3 companies are generally not considered good candidates for expansion. There is little to be gained from the processing of the administrative filing sections of the application that is destined to be rejected once the analytical review is conducted. If after discussion with the domiciliary state it is determined the applicant is a “Category 3,” the expansion state should determine if there is a reason to further analyze the financial condition of the company.

Based on the business plan there may be a reason to further analyze the financial condition of the company (see Analysis of Business Plan: Category 3, below). The expansion state should communicate with the domiciliary state to understand the circumstances under which expansion may be advisable. In such situations, the expansion state must perform sufficient analysis (at least those required of a Category 2 company) of the applicant’s financial condition and operating practices to determine that the risks associated with the proposed business plan are within the Company’s expertise and financial capacity to assume.

Analysis of Business Plan

Category 1

Section 6. Plan of Operation

- The plan of operation should be reviewed to ensure that the proposed business plan is consistent with the applicant’s demonstrated experience.

Category 2

Section 6. Plan of Operation

- Business plans are written descriptions of expected market conditions, company operations, and related forecasted financial results. The plan of operation section of the UCAA refers to three components: a brief narrative, pro-forma financial statements/projections and a completed Questionnaire (Form 8).
- By virtue of the filing of the UCAA, the applicant is notifying the state insurance department of recent or planned changes in the insurer’s operations. One recurring factor that appears in many troubled insurance company situations is a recent change in operations, management or ownership. Therefore, overly rapid growth in premium volume, expansion into new geographic areas or new lines of business, inappropriate pricing, inappropriate underwriting, and product mix are important areas of concern when reviewing a business plan.
- Geographic growth can lead to less control by the insurer over new producers, underwriting operations, and claims administration. The insurance laws and regulations in the expansion state and the nature of the various operational risks may differ from those of jurisdictions to which the business was previously limited. Similarly, rapid expansion into new lines of business can lead to difficulties if the insurer’s management and personnel lack an adequate

knowledge and understanding of the characteristics and risks of the business proposed to be written. Extremely rapid geographic or product line expansion may cause the insurer's training of new producers, underwriters, and claims personnel to trail growth of the business. A change to specialized lines of business should be accompanied by concurrently obtaining the additional specialized expertise or qualified personnel required to understand and administer that specialized business. Additionally, a rapidly growing insurer may fail to add enough experienced personnel to keep up with its expanding operations. Existing personnel may not have sufficient skills to manage the additional growth.

- The pricing of insurance products is a difficult task. The premium is established based on estimates of a number of unknown future events. The effects of a failure to accurately estimate the cost of those events or to provide a sufficient margin for adverse deviation from the estimate may not be apparent for a long time. The types of business written by an insurer affect the ability of the insurer to estimate future costs. Certain lines of business are, by their nature, more volatile than others in claim cost experience. Also, the long-tail nature of some lines of business increases the level of uncertainty in estimating future costs. Setting premium rates solely on the basis of rates charged by competitors, without consideration for possible differences in the quality of the business that the insurer and its competitors are writing, should be a concern. The description of pricing should indicate coordination between the company's actuarial and underwriting and marketing departments.
- Concern should be noted when management of the insurer has focused excessively on the agency or marketing aspects of the business. Management may have a tendency to measure success by the volume of business written and ignore the underwriting aspects. Also, while most insurers may establish production or profit goals, these goals may be deemed so important by certain management groups that producers and underwriters may be allowed to relax underwriting standards to permit the acceptance of additional business so as to meet the insurer's production goals.
- The pro forma financials should be reviewed for consistency with the stated business plan and reasonableness with respect to assumptions. Projections should be based upon well described and defensible assumptions that are attainable under the circumstances described in the business plan. The department should consider a review of the business plan and pro forma financials by department actuaries and/or other experts.
- The insurance department should consider obtaining a pledge from the company to notify the insurance department if any deviations from the filed plan of operation are initiated by the company within three years of admission.

Form 8 – Interrogatories from Form 8 that provide insight into the applicant's business plan are discussed below.

Interrogatory 2: Encumbered assets must be explored for propriety; Pledged capital stock is a sign of borrowing and repayment terms and conditions must be investigated; Merger or consolidation might explain significant fluctuations in a historical financial analysis.

NAIC Company Licensing Best Practices Handbook

Best Practices: Application Review

Interrogatory 4: Historical information in order to do further research, if necessary. An explanation is adequate. The initial request of copies of documentation is unnecessary unless questions arise concerning the veracity of the applicant's response to this and other questions.

Interrogatory 5: A change in management or control may have a significant impact on operations.

Interrogatory 6: The most recent Form B should suffice to explain the holding company structure and intercompany relationships. If no holding corporation, then an explanation should suffice initially.

Interrogatory 8: Revocation of a certificate of authority or denial of licensure should be discussed with the domiciliary state to determine if the proximate causes for such actions are still in existence.

Interrogatory 9: Positive responses to this interrogatory should be discussed with the domiciliary state. All responses should be compared to the results of criminal background checks.

Interrogatory 10: Such dispute may affect the financial condition and may be an indication of inappropriate business practices.

Interrogatory 11: Such legal action may affect the financial condition and may be an indication of inappropriate business practices.

Interrogatory 12: Conflicts of interest can detrimentally affect the operations of an insurer.

Interrogatory 13: Positive responses to this interrogatory may affect the manner in which the company's products are marketed. Additionally, the Company's parent or affiliates will be subject to regulatory restrictions.

Interrogatory 14: Conflicts of interest can detrimentally affect the operations of an insurer.

Interrogatories 15 and 16: The marketing plan is the core of the applicant's business plan narrative. The use, oversight, and compensation of producers are important aspects of product delivery. Since each state or region inherently may have unique market conditions related to products, distribution systems, or competition, serious thought must be put into these areas. Copies of agreements should initially be required with the primary application.

Interrogatory 17: The applicant should be able to provide benefits to the citizens that do not already exist.

Interrogatory 18: One of the state's responsibilities is to prevent unfair trade practices. Deceptive advertising and sales are prohibited.

Interrogatories 19 and 20: Product administration should be included in the narrative of the business plan. Knowledge, experience and capacity are necessary ingredients. Service agreements and personnel oversight need only be initially provided in the primary application.

Interrogatory 21: Affiliated agreements for tax allocation, services and facilities are necessary to be reviewed with the primary application to ensure fairness and equity. Rates should be on an actual cost basis, but should be no less than market rates.

Interrogatory 23: This question need only be addressed initially in the primary application. Since invested assets make up a significant portion of the asset side of the balance sheet, control of

those assets is of utmost importance. The Financial Condition Examiners Handbook provides excellent guidance in reviewing this item.

Interrogatory 24: Conflicts of interest can detrimentally affect the operations of an insurer.

Interrogatory 25: The expense of the options can affect the financial condition. The exercising of those options can affect control of the insurer. The existence of those options can affect the insurer's ability to raise other capital.

Interrogatories 26 – 29: Review the responses to these interrogatories if specific state laws address these issues.

Interrogatory 30: Conflicts of interest can detrimentally affect the operations of an insurer.

Interrogatories 31 and 32c: It is important to understand the effect of prescribed or permitted practices on the reported financial condition of the company.

Interrogatories 32 and 33: It is important for both the applicant and the state of redomestication to know and address any regulatory differences.

Interrogatory 34: Interest and principal payment restrictions need to be clearly understood and agreed upon.

Category 3

Category 3 companies are generally not considered good candidates for expansion. There is little to be gained from the processing of the administrative filing sections of the application that is destined to be rejected once the analytical review is conducted.

However, in certain unique circumstances, based on the line of business offered and the market conditions in the expansion state, it may be appropriate to pursue licensure under heavily monitored criteria. For example, a small, specialty insurer (such as a “captive” insurer) may not demonstrate the qualities of a Category 1 or 2 company. Such a company may have a commercial policyholder with operations located in a state where it is not licensed. In order to continue to provide coverage to the policyholder, the insurer must seek licensure in the additional state. In this circumstance, the expansion state may grant a certificate of authority with additional restrictions that only identified risks be written.

In such situations, the expansion and domiciliary state must perform sufficient analysis (at least those required of a Category 2 company) of the company’s financial condition and business plan to determine that such risks are within the company’s expertise and financial capacity to assume. The reasons why the proposed expansion would be tolerable should then be delineated.

Corporate Amendment Application – Adding and Deleting Lines of Business

The classification of the of the application sections is illustrated in the following chart:

Application Section	Administrative Filing	Analysis of Current Condition	Analysis of Business Plan
1. Application Form and Attachments	☒		
2. Filing Fee	☒		
3. Articles of Incorporation	☒		
4. Bylaws	☒		
5. Minimum Capital and Surplus Requirements		☒	
6. Statutory Deposit Requirements	☒		
7. Plan of Operation			☒
8. Statutory Membership(s)	☒		
9. Certificate of Compliance		☒	
11. Deleting Lines of Business			☒

Administrative items

Section 1. Application Form and Attachments

- Form 1C “Corporate Amendments Application Checklist”– The Coordinator should review the Checklist for completeness and that all described documents are included in the application. As stated on the checklist form, this document is simply a guide. It is a reminder of what should initially be included in the application package in order for it to be considered complete. This form is all-inclusive but should be completed with due consideration to the specific amendment(s) requested. Items required are dependent upon the request of the applicant.
- Form 2C “Corporate Amendments Application” – The Coordinator should review the form for completeness. This form contains minimum required information.
- Form 3 “Lines of Insurance” - The Coordinator should utilize the Lines of Business Matrix in the UCAA Manual to compare the lines of business authorized in the company’s domiciliary state (per the Certificate of Compliance) with the applied for lines of business.

Section 2. Filing Fees

- Review check submitted in payment of fees for correct amount. In some instances the check may be held by another section of the Department. In that case, review the description of the check received.
- Forward check for deposit or provide information for proper processing of check.
- Filing fees range from \$-0- to in excess of \$500 and are generally retaliatory.

Section 3. Articles of Incorporation

- In some instances the Articles of Incorporation contain specific references to the lines of business the entity is authorized to engage. Such language should be consistent with the proposed changes to the certificate of authority.

Section 4. Bylaws

- The Bylaws generally should not have to be reviewed in connection with the addition or deletion of a line of business.

Section 6. Statutory Deposit Requirements

- These funds are deposited with the Commissioner, generally through a safekeeping or trust receipt, to be held for the benefit and protection of, and as security for, all policyholders and, in some instances, creditors of the insurer making the deposit. Additional deposits are generally required of those insurers applying to write lines of business not covered under state insurance guaranty funds (e.g., guaranty, fidelity, surety, and bond business) or otherwise (e.g., workers compensation). The ultimate purpose of these funds is to ensure that liquid assets are unencumbered and available for use by the Commissioner or his designee for the administration of the insurer's estate should it become insolvent. Unless a line of business is being applied for that is not protected by a guaranty fund, the domestic state should hold the deposit in an aggregate amount of no less than the minimum required capital.

Section 8. Statutory Memberships

- May be required, dependent upon line of business requested.
- Some states require a positive application and confirmation regarding membership in state mandated risk pools or other organizations. In other words, an insurer may not automatically be a member by virtue of its certificate of authority, but may be required to join outside the jurisdiction of the insurance department.

Analysis of current condition

Category 1

If the company is prioritized as "Category 1," then typically only the "Certificate of Compliance" need be reviewed by the applicant state. However, some circumstances may exist that would warrant additional analysis by the applicant state. For example, differing capital and surplus requirements in the states may require some consideration by a particular applicant state. In addition, permitted practices granted to an applicant insurer by its domiciliary state may account for a significant amount of the insurer's surplus, in which case the applicant state may need to perform a bit more analysis than just reviewing the comment.

Category 2

If the company is prioritized as "Category 2," then the following review of application documents is suggested:

Section 5. Minimum Capital and Surplus Requirements

- This document should make it clear that the applicant understands the state law with respect to the amount of capital and surplus that must be maintained at a minimum with respect to the line of business to be added. The analyst can easily determine the applicant's capital and surplus position by looking at the filed financial statement. The requirement for this document should make it clear that the applicant has read and understands the underlying surplus requirements. The amount required varies from stated capital and of specific dollar amounts based on lines of authority to a percentage of risk based capital.

Category 3

If the company is prioritized as "Category 3," then the applicant state should discuss with the domiciliary state whether there exists any extraordinary circumstance that might outweigh the company's operating condition.

Analysis of business plan

Category 1

If the company is prioritized as "Category 1," then Section 7, Plan of Operation should be reviewed to determine that the company has experience with the requested new line of business.

Regardless of risk category, a line of business should not be deleted unless all liabilities in that line are extinguished.

Category 2

If the Company is prioritized as "Category 2," then the following review of application documents is suggested:

Section 7. Plan of Operation

- The narrative business plan including the rationale for adding lines of business and the sales and administration of that business along with the accompanying pro-forma financial statements/projections should provide the information initially required in this section. Dependent upon the prioritization of the applicant and the specific line of business requested, along with the experience in that line of the applicant, Form 8C may be required.

Section 11. Deleting Lines of Business

- Deletion of a line of business requires notification and adequate establishment or extinguishment of liabilities. A line of business should not be deleted unless all liabilities in that line are extinguished.
- ***Category 3***

If the company is prioritized as "Category 3," then the applicant state should discuss with the domiciliary state whether there exists any extraordinary circumstance that might outweigh the company's operating condition. In certain instances the proposed plan of operation might provide for a limited expansion of authority in order to maintain current its current policyholder base. Should approval be granted, the business plan should be carefully reviewed and closely monitored.

Corporate Amendment Application – Name Change – For Filing with Non-domiciliary States

Corporate Amendment applications involving a change of name or location of the insurer are often accompanied by related policy form approval filings reflecting the change in name or location. In some instances, the company license application process is held in abeyance until a complete review of policy forms has been completed. It is recommended that in such instances a policy form endorsement be approved for only the change in name or location, in lieu of a complete policy form review.

The classification of the application sections is illustrated in the following chart:

Application Section	Administrative Filing	Analysis of Current Condition	Analysis of Business Plan
1. Application Form and Attachments	☑		
2. Filing Fee	☑		
3. Articles of Incorporation	☑		
4. Bylaws	☑		
5. Service of Process	☑		
6. State of Domicile Approval	☑		
8. Name Approval Process	☑		

Administrative Filing

Application Sections:

Section 1. Application Form and Attachments

- Form 1C “Checklist”– The Coordinator should review the Checklist for completeness and that all described documents are included in the application.
- Form 2C “Corporate Amendment Application” – The Coordinator should review the form for completeness.

Section 2. Filing Fees

- Review check submitted in payment of fees for correct amount. In some instances the check may be held by another section of the Department. In that case, review the description of the check received.
- Forward check for deposit or provide information for proper processing of check.
- Filing fees range from \$-0- to in excess of \$200 and are generally retaliatory.

Section 3. Articles of Incorporation

- The amended Articles of Incorporation should be reviewed to determine that the new name is reflected.

Section 4. Bylaws

- The amended Bylaws should be reviewed to determine that the new name is reflected.

Section 5. Service of Process

- The amended Service of Process should be reviewed to determine that the new name is reflected.

Section 6. State of Domicile Approval

- The domiciliary state should have already approved the name change.

Section 8. Name Approval Process

- Typically state insurance departments incorporate insurers, but some states require the involvement of the Secretary of State or the Attorney General. Names are submitted for pre-approval because the public has the right to know with whom it is dealing and therefore, someone must determine that the name is not so similar to another as to be likely to deceive or mislead. The name should be such as to show that the company is engaged in the insurance business and preferably to show the type of business. Some states provide for publication and subsequent hearing to ensure that any objections are addressed.
- Coordinator should determine that a name approval request consistent with the State's requirements has been filed. If State requirements dictate, the request should be forwarded to the appropriate area for processing.

Corporate Amendment Application – Redomestication of a Foreign Insurer

The classification of the application sections is illustrated in the following chart:

Application Section	Administrative Filing	Analysis of Current Condition	Analysis of Business Plan
1. Application Form and Attachments	E		
2. Filing Fee	E		
3. Articles of Incorporation	E		
4. Bylaws	E		
5. Service of Process	E		
6. State of Domicile Approval	E		

Administrative Filing

Application Sections:

Section 1. Application Form and Attachments

- Form 1P “Checklist”– The Coordinator should review the Checklist for completeness and that all described documents are included in the application.
- Form 2C “Corporate Amendment Application” – The Coordinator should review the form for completeness.
- Form 3 “Lines of Insurance” – Only the applied for lines will be completed. The Coordinator should utilize the Lines of Business Matrix in the UCAA Manual to compare the lines of business authorized in the company’s domiciliary state (per the certificate of compliance) with the applied for lines of business.

Section 2. Filing Fees

- Review check submitted in payment of fees for correct amount. In some instances the check may be held by another section of the Department. In that case, review the description of the check received.
- Forward check for deposit or provide information for proper processing of check.
- Filing fees range from \$-0- to in excess of \$200 and are generally retaliatory.

Section 3. Articles of Incorporation

- The amended Articles of Incorporation should be reviewed to determine that the new state of domicile is reflected.

Section 4. Bylaws

- The amended Bylaws should be reviewed to determine that the new state of domicile is reflected.

Section 5. Service of Process

- The amended Service of Process should be reviewed to determine that the new state of domicile is reflected.

Section 6. State of Domicile Approval

- The domiciliary state should have already approved the redomestication.

Corporate Amendment Application – Change of City within the State of Domicile

The classification of the application sections is illustrated in the following chart:

Application Section	Administrative Filing	Analysis of Current Condition	Analysis of Business Plan
1. Application Form and Attachments	☑		
2. Filing Fee	☑		
3. Articles of Incorporation	☑		
4. Bylaws	☑		
5. Service of Process	☑		
6. State of Domicile Approval	☑		

Administrative Filing

Application Sections:

Section 1. Application Form and Attachments

- Form 1C “Checklist”– The Coordinator should review the Checklist for completeness and that all described documents are included in the application.
- Form 2C “Corporate Amendment Application” – The Coordinator should review the form for completeness.
- Old Certificate of Authority – The applicant should have surrendered the old Certificate of Authority or filed an affidavit of a lost Certificate of Authority.

Section 2. Filing Fees

- Review check submitted in payment of fees for correct amount. In some instances the check may be held by another section of the Department. In that case, review the description of the check received.
- Forward check for deposit or provide information for proper processing of check.
- Filing fees range from \$-0- to in excess of \$200 and are generally retaliatory.

Section 3. Articles of Incorporation

- The amended Articles of Incorporation or other documentation required or permitted by the domiciliary state should be reviewed to determine that the new location is reflected.

Section 4. Bylaws

- The amended Bylaws should be reviewed to determine that if a location for the insurer is stated, the Bylaws have been updated to reflect the new location.

Section 5. Service of Process

- The amended Service of Process should be reviewed to determine that the new location is reflected.

Section 6. State of Domicile Approval

- The domiciliary state (if the applicant is a foreign company) should have already approved the location change.

Corporate Amendment Application – Change of Address/Contact Notification

The classification of the application sections is illustrated in the following chart:

Application Section	Administrative Filing	Analysis of Current Condition	Analysis of Business Plan
1. Notification Form and Attachments	E		

Administrative items

Section 1 Notification Form and Attachments

- Changes of address that do not involve corporate record amendments such as moving from one building to another or contact person changes are filed on Form 14 - Change of Address/Contact Notification Form.

Corporate Amendment Application – Merger of Two or More Foreign Insurers – For Filing with Non-domiciliary States

The classification of the application sections is illustrated in the following chart:

Application Section	Administrative Filing	Analysis of Current Condition	Analysis of Business Plan
1. Application Form and Attachments	☑		
2. Filing Fee	☑		
3. Articles of Incorporation/Articles of Merger	☑		
4. Bylaws	☑		
5. Minimum Capital and Surplus Requirements	☑	☑	
6. Statutory Deposit Requirements	☑		
7. Plan of Operation			☑
8. Statutory Membership(s)	☑		
9. NAIC Biographical Affidavits		☑	
10. Service of Process	☑		
11. State of Domicile Approval	☑		

Administrative items

A merger requires notification to all states in which the applicant is licensed. Corporate documents must be amended to incorporate the new address along with other requirements that may be state specific.

Section 1. Application Form and Attachments

- Form 1C “Corporate Amendments Application Checklist”– The Coordinator should review the Checklist for completeness and that all described documents are included in the application. As stated on the checklist form, this document is simply a guide. It is a reminder of what should initially be included in the application package in order for it to be considered complete. This form is all-inclusive but should be completed with due consideration to the specific amendment(s) requested. Items required are dependent upon the request of the applicant.
- Form 2C “Corporate Amendments Application” – The Coordinator should review the form for completeness. This form contains minimum required information.
- Form 3 “Lines of Insurance” - The Coordinator should utilize the Lines of Business Matrix in the UCAA Manual to compare the lines of business authorized in the companies’ previous domiciliary state(s) (per the Certificate of Compliance) with the applied for lines of business for the surviving entity.

Section 2. Filing Fees

- Review check submitted in payment of fees for correct amount. In some instances the check may be held by another section of the Department. In that case, review the description of the check received.
- Forward check for deposit or provide information for proper processing of check.
- Filing fees range from \$-0- to in excess of \$200 and are generally retaliatory.

Section 3. Articles of Incorporation/Articles of Merger

- The certificate of merger from the domestic state of the surviving entity serves as the “marriage license” and denotes the approval of that state. The articles of merger serve as the “marriage contract” and specify the terms of the merger. These documents should be retained as permanent corporate records as part of the articles of incorporation.

Section 4. Bylaws

- The Bylaws need only be reviewed if they have been amended.

Section 6. Statutory Deposit Requirements

- Form 7 “Certificate of Deposit” – Coordinator should review the form and compare the amount of the deposit to the State’s requirement.
- These funds are deposited with the Commissioner, generally through a safekeeping or trust receipt, to be held for the benefit and protection of, and as security for, all policyholders and, in some instances, creditors of the insurer making the deposit. Additional deposits are generally required of those insurers applying to write lines of business not covered under state insurance guaranty funds (such as guaranty, fidelity, surety, and bond business) or otherwise (e.g., workers compensation). The ultimate purpose of these funds is to ensure that liquid assets are unencumbered and available for use by the Commissioner or his designee for the administration of the insurer’s estate should it become insolvent.

Section 8. Statutory Memberships

- This item may be applicable depending on any new lines of business added.
- Some states require a positive application and confirmation regarding membership in state mandated risk pools or other organizations. In other words, an insurer may not automatically be a member by virtue of its certificate of authority, but may be required to join outside the jurisdiction of the insurance department.

Section 10. Uniform Consent to Service of Process

- This document designates the commissioner or a resident of the state to receive service of process on behalf of the company. Persons or entities to receive forwarded service of process from the commissioner are also provided.

Section 11. State of Domicile Approval

- The certificate of merger is the approval of the domestic state of the surviving entity. It should be accompanied by a Certificate of Compliance from the other state involved, if applicable.

Analysis of current condition

Section 5. Minimum Capital and Surplus Requirements

- This item may be applicable depending on any new lines of business added.

Section 15. NAIC Biographical Affidavits

- A review of biographical affidavits is only necessary if there is a change in officers, directors or ownership.

Analysis of business plan

Section 7. Plan of Operation

- The articles of merger and/or the accompanying business plan of the surviving entity should be reviewed for informational purposes.

Corporate Amendment Application – Proposed/Completed Change of Control of Foreign Insurers

The classification of the of the application sections is illustrated in the following chart:

Application Section	Administrative Filing	Analysis of Current Condition	Analysis of Business Plan
1. Application Form and Attachments	☒		
2. Filing Fee	☒		
3. Articles of Incorporation	☒		
4. Bylaws	☒		
5. Plan of Operation			☒
6. State-Specific Information	☒		
7. Uniform Consent to Service of Process	☒		
8. State of Domicile Approval	☒		
9. NAIC Biographical Affidavits		☒	

Administrative items

Proposed change of control transaction information (proposed transaction) and a second filing of actual information after the change of control are complete (completed transaction). This application is not applicable for filing in a state if the insurer is a domestic insurer in that state.

Section 1. Application Form and Attachments

- Form 1C “Corporate Amendments Application Checklist”– The Coordinator should review the Checklist for completeness and that all described documents are included in the application. As stated on the checklist form, this document is simply a guide. It is a reminder of what should initially be included in the application package in order for it to be considered complete. This form is all-inclusive but should be completed with due consideration to the specific amendment(s) requested. Items required are dependent upon the request of the applicant.
- Form 2C “Corporate Amendments Application” – The Coordinator should review the form for completeness. This form contains minimum required information.

Section 2. Filing Fees

- Review check submitted in payment of fees for correct amount. In some instances the check may be held by another section of the Department. In that case, review the description of the check received.
- Forward check for deposit or provide information for proper processing of check.
- Filing fees range from \$-0- to in excess of \$200 and are generally retaliatory.

Section 3. Articles of Incorporation

- If the Articles have changed as a result of the change of control, file the amended Articles. If the most recently filed (in the state for which you are applying) Articles of Incorporation have not changed, do not file the Articles. Simply state that the current articles are already on file in the state to which this application relates. If it is expected that revised Articles of Incorporation will be submitted in the completed transaction filing, please state that in the proposed transaction filing.

Section 4. Bylaws

- The Bylaws need only be submitted if they have been amended. If it is expected that revised Bylaws will be submitted in the completed transaction filing, please state that in the proposed transaction filing.

Section 6. State Specific Information

- Some jurisdictions may have additional requirements that must be met before a proposed change of control can be completed. For example, some states require the filing of a Form E (Pre-Acquisition Notification Form Regarding the Potential Competitive Impact of a Proposed Merger or Acquisition by a Non-Domiciliary Insurer Doing Business in this State or by a Domestic Insurer) at least 30 days before the completion of a change of control transaction. In addition some states may require a Holding Company Act Form B amended statement after completion of the change of control transaction. Before completing a UCAA Corporate Amendments Application the applicant should review a listing of requirements for the state to which you are applying. State-specific information is listed on the State Specific Chart.

Section 7. Uniform Consent to Service of Process

- This document designates the commissioner or a resident of the state to receive service of process on behalf of the company. Persons or entities to receive forwarded service of process from the commissioner are also provided.

Section 8. State of Domicile Approval

- The certificate of merger is the approval of the domestic state. It should be accompanied by a Certificate of Compliance from the other state involved, if applicable.

Analysis of current condition

Section 9. NAIC Biographical Affidavits

- A review of biographical affidavits is only necessary if there is a change in officers, directors or ownership.

Analysis of business plan

Section 5. Plan of Operation

If the business plan of the insurer will change as a result of the change of control transaction, a plan of operation must be submitted; otherwise, a statement that the business plan will not change will suffice and should be submitted. The plan of operation is made up of two components: a brief narrative and pro-forma financial statements/projections (Form 13). The narrative should include significant information in support of the application. Projections must support all aspects of the proposed plan of operation, including reinsurance arrangements and any delegated function agreements. Include the assumptions used to arrive at these projections.

Corporate Amendment Application – Amended Articles of Incorporation

The classification of the of the application sections is illustrated in the following chart:

Application Section	Administrative Filing	Analysis of Current Condition	Analysis of Business Plan
1. Application Form and Attachments	E		
2. Filing Fee	E		
3. Articles of Incorporation	E		
4. Bylaws	E		
5. State-Specific Information	E		
6. State of Domicile Approval	E		

Administrative items

Amended Articles of Incorporation require notification to all states in which the applicant is licensed. This application is not applicable for filing in a state if the insurer is a domestic insurer in that state.

Section 1. Application Form and Attachments

- Form 1C “Corporate Amendments Application Checklist”– The Coordinator should review the Checklist for completeness and that all described documents are included in the application. As stated on the checklist form, this document is simply a guide. It is a reminder of what should initially be included in the application package in order for it to be considered complete. This form is all-inclusive but should be completed with due consideration to the specific amendment(s) requested. Items required are dependent upon the request of the applicant.
- Form 2C “Corporate Amendments Application” – The Coordinator should review the form for completeness. This form contains minimum required information.

Section 2. Filing Fees

- Review check submitted in payment of fees for correct amount. In some instances the check may be held by another section of the Department. In that case, review the description of the check received.
- Forward check for deposit or provide information for proper processing of check.
- Filing fees range from \$-0- to in excess of \$200 and are generally retaliatory.

Section 3. Articles of Incorporation

- Indicate the location of the language within the Articles that reflects the change. (Page #, section #, etc., of the Articles of Incorporation).

Section 4. Bylaws

- The Bylaws need only be submitted if they have been amended.

Section 5. State Specific Information

- Some jurisdictions may have additional requirements that must be met before Articles of Incorporation can be amended. Before completing a UCAA Corporate Amendments Application the applicant should review a listing of requirements for the state to which you are applying.

Section 6. State of Domicile Approval

- Provide a copy of the amended articles of incorporation approval from the applicant's state of domicile.

Corporate Amendment Application – Amended Bylaws

The classification of the of the application sections is illustrated in the following chart:

Application Section	Administrative Filing	Analysis of Current Condition	Analysis of Business Plan
1. Application Form and Attachments	E		
2. Filing Fee	E		
3. Bylaws	E		
4. State-Specific Information	E		
5. State of Domicile Approval	E		

Administrative items

Amended Bylaws that are not a result of changes addressed in other areas of the Corporate Amendment application require notification to all states in which the applicant is licensed. This application is not applicable for filing in a state if the insurer is a domestic insurer in that state.

Section 1. Application Form and Attachments

- Form 1C “Corporate Amendments Application Checklist”– The Coordinator should review the Checklist for completeness and that all described documents are included in the application. As stated on the checklist form, this document is simply a guide. It is a reminder of what should initially be included in the application package in order for it to be considered complete. This form is all-inclusive but should be completed with due consideration to the specific amendment(s) requested. Items required are dependent upon the request of the applicant.
- Form 2C “Corporate Amendments Application” – The Coordinator should review the form for completeness. This form contains minimum required information.

Section 2. Filing Fees

- Review check submitted in payment of fees for correct amount. In some instances the check may be held by another section of the Department. In that case, review the description of the check received.
- Forward check for deposit or provide information for proper processing of check.
- Filing fees range from \$-0- to in excess of \$200 and are generally retaliatory.

Section 3. Bylaws

- Indicate the location of the language within the Bylaws that reflects the change. (Page #, section #, etc., of the Bylaws).

Section 4. State Specific Information

- Some jurisdictions may have additional requirements that must be met before Bylaws can be amended. Before completing a UCAA Corporate Amendments Application the applicant should review a listing of requirements for the state to which you are applying.

Section 5. State of Domicile Approval

- Provide a copy of the amended Bylaws approval from the applicant's state of domicile.

The Uniform Certificate of Authority Application (UCAA)

THE UCAA

In conjunction with the NAIC, the various states, as a part of the ALERT Subgroup (Accelerated Licensing Evaluation Review Technique), have worked toward the goal of streamlining and achieving uniformity in the insurer licensing process. The insurer licensing process encompasses the initial licensing of an insurer as well as licensing in additional states and filings that modify or expand an existing Certificate of Authority. It was the intent of the ALERT Subgroup that each of the adopted application packages contains a complete listing of the requirements for licensing in a state. The *Uniform Certificate of Authority Application Manual* is a complete reference manual that organizes the materials developed by the ALERT Subgroup and that provides a consistent frame of reference for all participants in the licensing process. There are three types of applications: Primary, Expansion and Corporate Amendment. Those application types and their component sections are described below.

Primary Application

The Primary Application to the Uniform Certificate of Authority Application (UCAA) is for use in the formation of a new insurer, or for an existing insurer to use in making application to redomesticate to another state. The UCAA Primary Application contains the following sections:

1. Application Form and Attachments
2. Filing Fee
3. Minimum Capital and Surplus Requirements
4. Statutory Deposit Requirements
5. Name Approval
6. Plan of Operation
7. Holding Company Form "B" Registration Statement
8. Statutory Membership(s)
9. SEC Filings or Consolidated GAAP Financial Statement
10. Debt-to-Equity Ratio Statement
11. Custody Agreements
12. Public Records Package
13. NAIC Biographical Affidavits
14. State-Specific Information

Primary Application – Redomestications Only

The requirements of this section are only for those insurers seeking to redomesticate from one state to another and are in addition to the requirements of Section II, items 1 through 14 of the Primary checklist. A Redomestication is the process where any insurer organized under the laws of any state may become a domestic insurer that transfers its domicile to another state by merger or consolidation or any other lawful method. The applicant files the Primary Application with the

insurer’s new state of domicile when used for a redomestication. In addition to the sections included with the primary application, the redomestication application will include the following sections:

1. Annual Statements with Attachments
2. Quarterly Financial Statements
3. Risk-Based Capital Report
4. Independent CPA Audit Report
5. Reports of Examination
6. Certificate of Compliance

Expansion Application

The Expansion Application to the Uniform Certificate of Authority Application (UCAA) is for use by an insurer that wishes to expand into one or more states. An insurer may file Expansion Applications simultaneously in as many states as desired. The Expansion Application is an abbreviated version of the UCAA designed to allow solidly performing companies that are in good standing in all admitted states to gain admission into new states quickly and easily. It is the goal to complete their review of Expansion Applications within 60 calendar days of receipt. The 60-day review process includes two weeks to determine if the application is complete and acceptable. During the remaining 45-60 day time-span, the application will receive a financial and operational review. Based on the circumstances of a particular application, it may be necessary for the reviewing state to request additional information.

The UCAA Expansion Application has the following sections:

1. Expansion Application Form
2. Filing Fee
3. Minimum Capital and Surplus Requirements
4. Statutory Deposit Requirements
5. Name Approval
6. Plan of Operation
7. Holding Company Form B Registration Statement
8. Certificate of Compliance
9. Report of Examination
10. Statutory Memberships
11. Public Records Package
12. NAIC Biographical Affidavits
13. Uniform Consent to Service of Process

14. State-Specific Information

15. Retaliatory Statement

Corporate Amendment Application

An existing insurer uses the Uniform Certificate of Authority Corporate Amendments Application for requesting amendments to its Certificate of Authority. The applicant can use the Corporate Amendments Application to file more than one change in the same submission. The applicant should mark all changes it files on the application form and submit all items required for those changes. This UCAA Corporate Amendments Application has the following sections:

1. Application Form and Attachments
2. Filing Fee
3. Articles of Incorporation
4. Bylaws
5. Minimum Capital and Surplus Requirements
6. Statutory Deposit Requirements
7. Plan of Operation
8. Statutory Membership(s)
9. Certificate of Compliance
10. State-Specific Information
11. Deleting Lines of Business

There are slightly different filing requirements for Corporate Amendment applications involving name changes, redomestication of foreign insurers, change of city within the state of domicile, change of address/contact information and mergers of two foreign insurers.

UCAA Forms

In order to facilitate the uniform submission of information pertinent to each of the sections of the various applications, a variety of forms were promulgated by the ALERT Subgroup. There is a matrix of the forms and the sections to which they apply in the *UCAA Manual*.

REVIEW OF THE UCAA

The “Best Practices: Application Review” chapter describes the recommended best practices for the review of the sections and forms associated with the various types of UCAA’s.

Use of Electronic Documents

NAIC Company Licensing Best Practices Handbook

Appendix B – Use of Electronic Documents

Many of the documents filed in the UCAA process are currently housed in electronic format at the NAIC or lend themselves easily to electronic storage and viewing.

The items included in the public records package that are already stored in either data tables or PDF format or both at the NAIC are:

- Annual Financial Statements (in Data Tables and PDF) with attachments including the actuarial opinion and Managements' Discussion and Analysis (in PDF).
- Quarterly Financial Statements (in Data Tables and PDF)
- Risk-Based Capital reports (in Data Tables)
- CPA Audit Reports (in PDF)
- Exam Reports (in PDF and in I-Site in the Exam Tracking System on a voluntary basis)
- SEC filings can be found at www.sec.gov/edgar.shtml

The following documents are not currently stored in an explicit location in an NAIC database, but should at least be stored and made available in electronic format:

- Form B Registration Statement
- Consolidated GAAP Financial Statements
- Articles of Incorporation
- Bylaws

A serious effort should be made to reduce the amount of paperwork created and stored with respect to the review of UCAA applications.