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December 5, 2016

Christy Neighbors
Chair, Group Solvency Issues (E) Working Group
National Association of Insurance Commissioners
Via email to: bjenson@naic.org

Re: *Form F Guidance Manual Exposure Draft*

Dear Ms. Neighbors:

On behalf of the Enterprise Risk Management and Own Risk and Solvency Assessment (ERM/ORSA) Committee of the American Academy of Actuaries,¹ I appreciate the opportunity to provide comments on the NAIC's Form F Guidance Manual Exposure Draft.

Section	Title	Page(s)	Comment
I	Introduction	1	Consider inclusion of background on the purpose of the Form F Filing.
I-A	General Guidance	1	Consider including guidance for companies to define the time horizon over which their risks are considered in the Form F filing.
I-A	General Guidance	2	Consider clarifying the treatment of non-insurance entities in the definition of an insurance company holding system.
I-A	General Guidance	2	Consider including guidance for companies to document their determination of the ultimate controlling person for each insurance company holding system.
II-A	Item 1 – Enterprise Risk	3	Consider asking companies to define materiality in relation to their assessment of enterprise risk.

¹ The American Academy of Actuaries is an 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

II-A	Item 1 – Enterprise Risk	3	<p>Consider clarification of the statement: <i>Regulators also encourage disclosure of ... Those risks that are less likely to occur but have the potential to materially impact the insurance holding company system if they do.</i></p> <p>Because companies are required to identify the material risks within the insurance company holding system that could pose enterprise risk to the insurer, regardless of the likelihood of such risks occurring, the italicized guidance could be misleading. We suggest removal of the phrase “less likely to occur” and rewording as, “... Those risks that have the potential to materially impact the insurance holding company system if they occur.”</p>
II-A	Item 1 – Enterprise Risk	4-6	<p>We believe that the table provides highly useful information, and we recommend consideration of the following additions:</p> <ul style="list-style-type: none"> • Changes in senior management; • Instances in which risk tolerance/appetite was breached, and the causes for such breaches; • Remediation plan or risk mitigation strategies for the potential risks or identified concerns; • Common customers/risks shared by different entities within the same insurance company holding system; • Impact of changing accounting standards or different accounting treatment for different business segments; • Business plans at the entity level in addition to the consolidated holding company level; and • The expected time required to integrate new operations associated with significant acquisitions, or to adjust to the loss of a significant business line/entity.
II-B	Item 2 – Obligation to Report	6	<p>The example certification is referenced as Appendix A, but should be Appendix B.</p>
Appendices			<p>Consider adding the Form F template as an additional Appendix to the Guidance Manual.</p>

Thank you for this opportunity to provide our views on the Group Solvency Issues (E) Working Group's *Form F Guidance Manual Exposure Draft*. If you have any questions or would like to discuss this letter in more detail, please contact Nikhail Nigam, the Academy's policy analyst for risk management and financial reporting issues, at 202-223-8196 or nigam@actuary.org.

Sincerely,

Tricia Matson, MAAA, FSA
Chairperson, ERM/ORSA Committee
Risk Management and Financial Reporting Council
American Academy of Actuaries