

NAIC/Texas Department of Insurance COVID-19 Information Request Template



Burnie Burner

bburner@mwlaw.com

(512) 480.5100

04/07/2020

The National Association of Insurance Commissioners (NAIC), with industry input, developed a survey for gathering information related to the impact of COVID-19 on insurers and how insurers are responding to this unprecedented public health emergency. The [NAIC Survey template is available here](#).

The Texas Department of Insurance (TDI) sent the template to all Texas insurers with a response deadline of April 15. A number of other states have made similar requests.

The NAIC Survey has two sections. The first section relates primarily to the insurer's operations and business continuity plans, asking whether the insurer was prepared for COVID-19 and how it has addressed/is addressing the various challenges created by the pandemic. The NAIC Survey largely seeks narrative, fact based responses, but the results of the survey may elicit a regulatory response. Consequently, insurers responding to the survey should review their responses with an eye toward any potential unintended inferences or regulatory consequences. Going forward, insurers' business continuity plans and enterprise risk management assessments will be required to address pandemics and the appropriate responses, such as support for remote workforces.

The second part of the NAIC Survey inquires into the insurer's assessment of the financial impact of COVID-19, including questions related to any stress testing conducted by the insurer. We have clarified with TDI that no stress testing is required in the response. While regulators have an interest in the financial impact of this pandemic on insurers and need to know that insurers are also assessing the impact and planning to address any deficiencies, it seems premature and speculative to assess the financial impact and any corresponding response at this point. This is particularly true in light of the [CARES Act](#), [Paycheck Protection Program](#) and other [planned stimulus programs](#) which may provide financial assistance to insurers.

It appears that there will be negative impact on premium volume for all lines of business and increased claims expense for certain lines. Both of these developments may create risk-based capital ratio revisions. Adding to these adjustments will be the impact of the markets at quarter end for any investments marked to market, such as stocks. The next quarterly financial reports will provide insight into each company's financial condition as of March 31, which was still early in the COVID-19 crisis. Hopefully, the June 30 statement will reflect the end of the crisis.

Changes in risk-based capital and reductions in policyholder surplus need to be assessed for implications on regulatory action and reporting. These financial and ratio calculations have been incorporated into loan and other financing covenants, financial projections or requirements in expansion, and other commissioner orders and capital maintenance agreements.

We are continually discussing compliance and financial matters with regulators nationwide and providing input related to our clients' concerns as regulators develop and implement regulatory responses to COVID-19. Stay up-to-date, [subscribe to our blog](#) or contact us by phone or email.