

Date: 11/22/21

*Virtual Meeting
(in lieu of meeting at the 2021 Fall National Meeting)*

EXAMINATION OVERSIGHT (E) TASK FORCE

Wednesday, December 1, 2021

2:00 – 3:00 p.m. ET / 1:00 p.m. – 2:00 p.m. CT / 12:00 p.m. – 1:00 p.m. MT / 11:00 a.m. – 12:00 p.m. PT

ROLL CALL

Ohio, Chair	District of Columbia	Minnesota	South Carolina
Tennessee, Vice Chair	Idaho	Missouri	South Dakota
Alabama	Indiana	Nebraska	Texas
Alaska	Iowa	New Hampshire	Utah
Arizona	Kansas	New Jersey	Virgin Islands
Arkansas	Kentucky	New Mexico	Virginia
California	Louisiana	North Dakota	Washington
Colorado	Massachusetts	Oklahoma	Wisconsin
Connecticut	Michigan	Rhode Island	Wyoming

NAIC Support Staff: Bailey Henning

AGENDA

1. Consider Adoption of its Sept. 30 E-Vote and Summer 2021 National Meeting Minutes—*Dwight Radel (OH)* Attachment One
2. Consider Adoption of its Working Group Reports—*Dwight Radel (OH)* Attachment Two
 - A. Electronic Workpaper (E) Working Group
 - B. Financial Analysis Solvency Tools (E) Working Group
 - C. Financial Examiners Coordination (E) Working Group
 - D. Financial Examiners Handbook (E) Technical Group
 - E. Information Technology (IT) Examination (E) Working Group
3. Discuss Any Other Matters Brought Before the Task Force —*Dwight Radel (OH)*
4. Adjournment

[Member Meetings/Fall 2021/TF/EXAMO/Open Meeting Agenda.docx](#)

Draft: 10/7/21

Examination Oversight (E) Task Force
E-Vote
September 30, 2021

The Examination Oversight (E) Task Force conducted an e-vote that concluded Sept. 30, 2021. The following Task Force members participated: Jim L. Ridling (AL); Alan McClain represented by Mel Anderson (AR); Ricardo Lara represented by Susan Bernard (CA); Andrew N. Mais represented by William Arfanis (CT); Vicki Schmidt represented by Tish Becker (KS); James J. Donelon represented by Stewart Guerin (LA); Anita G. Fox represented by Judy Weaver (MI); Chlora Lindley-Myers represented by Shannon Schmoeger (MO); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Lindsay Crawford (NE); Chris Nicolopoulos represented by Doug Bartlett (NH); Russell Toal (NM); Glen Mulready represented by Eli Snowbarger (OK); Elizabeth Kelleher Dwyer represented by Jack Broccoli (RI); Larry D. Deiter represented by Johanna Nickelson (SD); Cassie Brown represented by Shawn Frederick (TX); Jonathan T. Pike represented by Jake Garn (UT); Scott A. White represented by David Smith (VA); Mark Afable represented by Amy Malm (WI); and Jeff Rude (WY).

1. Adopted its 2022 Proposed Charges

The Task Force conducted an e-vote to consider adoption of its 2022 proposed charges (*see NAIC Proceedings – Fall 2021, Financial Condition (E) Committee, Attachment XX*).

The Electronic Workpaper (E) Working Group revised its existing charges to reflect that a replacement for the TeamMate AM workpaper application has been selected, and the Working Group will shift its focus to overseeing the transition process and monitoring the use of the new application (TeamMate+) going forward.

The Information Technology (IT) Examination (E) Working Group added a new charge to reflect a growing need to monitor cybersecurity trends and develop guidance for IT examiners, as necessary.

The motion passed unanimously.

Having no further business, the Examination Oversight (E) Task Force adjourned.

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Draft Pending Adoption

Draft: 8/11/21

Examination Oversight (E) Task Force
Virtual Meeting (*in lieu of meeting at the 2021 Summer National Meeting*)
August 5, 2021

The Examination Oversight (E) Task Force met Aug. 5, 2021. The following Task Force members participated: Judith L. French, Chair, represented by Dwight Radel (OH); Carter Lawrence, Vice Chair, represented by Joy Little (TN); Jim L. Ridling represented by Richard Ford (AL); Alan McClain represented by Mel Andersen (AR); Evan G. Daniels represented by Jon Savary (AZ); Ricardo Lara represented by Laura Clements (CA); Michael Conway represented by Rolf Kaumann (CO); Andrew N. Mais represented by William Arfanis (CT); Karima M. Woods represented by N. Kevin Brown (DC); Dean L. Cameron represented by Jessie Adamson (ID); Amy L. Beard represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Jeff Gaither (KY); James J. Donelon represented by Stewart Guerin (LA); Gary D. Anderson represented by John Turchi (MA); Anita G. Fox represented by Judy Weaver (MI); Grace Arnold represented by Kathleen Orth (MN); Chlora Lindley-Myers represented by Shannon Schmoeger (MO); Jon Godfread represented by Colton Schulz (ND); Eric Dunning represented by Justin Schrader (NE); Chris Nicolopoulos represented by Doug Bartlett (NH); Marlene Caride represented by Diana Sherman (NJ); Russell Toal represented by Leatrice Geckler (NM); Glen Mulready represented by Eli Snowbarger (OK); Elizabeth Kelleher Dwyer represented by John Tudino (RI); Raymond G. Farmer represented by Linda Haralson (SC); Larry D. Deiter represented by Johanna Nickelson (SD); Doug Slape represented by Shawn Frederick (TX); Jonathan T. Pike represented by Jake Garn (UT); Scott A. White represented by David Smith and Doug Stolte (VA); Mike Kreidler represented by Melanie Anderson (WA); Mark Afable represented by Amy Malm and John Litweiler (WI); and Jeff Rude represented by Linda Johnson and Doug Melvin (WY).

1. Adopted its Spring National Meeting Minutes

Mr. Eft made a motion, seconded by Ms. Malm, to adopt the Task Force's March 25 minutes (*see NAIC Proceedings – Spring 2021, Examination Oversight (E) Task Force*). The motion passed.

2. Adopted the Reports of its Working Groups

a. Electronic Workpaper (E) Working Group

Mr. Radel provided the report of the Electronic Workpaper (E) Working Group. He stated that the Working Group met July 13 and April 28 in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC or any NAIC member) of the NAIC Policy Statement on Open Meetings, to continue work on its goals.

b. Financial Analysis Solvency Tools (E) Working Group

Mr. Radel provided the report of the Financial Analysis Solvency Tools (E) Working Group. He stated that the Working Group met June 21 in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC or any NAIC member) of the NAIC Policy Statement on Open Meetings, to continue work on its goals.

c. Financial Examiners Coordination (E) Working Group

Mr. Radel provided the report of the Financial Examiners Coordination (E) Working Group. He stated that the Working Group met Aug. 3 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings, to continue work on its goals.

d. Financial Examiners Handbook (E) Technical Group

Mr. Litweiler provided the report of the Financial Examiners Handbook (E) Technical Group. He stated that the Technical Group met July 28 (Attachment One) to discuss its 2021 project list. He said the Technical Group plans to prioritize updates to the Reserves/Claims Handling and Capital and Surplus examination repositories in the *Financial Condition Examiners Handbook* (Handbook) in 2021. The Technical Group will defer consideration of updates to Exhibit G – Fraud Consideration until 2022.

Mr. Litweiler said also that multiple NAIC working groups currently have ongoing projects that could result in revisions to guidance in the Handbook. Therefore, Technical Group members are encouraged to follow the work of those groups. These

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projects include the following: 1) updates to salary range guidelines and per diem rates, as well as updates to incorporate guidance for evaluating appropriateness of market-based expense allocations (in development by the Risk-Focused Surveillance (E) Working Group); 2) updates to exam coordination guidance (in development by the Financial Examiners Coordination (E) Working Group); 3) updates to incorporate Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) elements into the examination process (in development by the Group Solvency Issues (E) Working Group); and 4) updates to procedures for evaluating the quality and portability of policyholder data to ensure the ability to transfer such data in the event of receivership or liquidation, and development of a mechanism for departments of insurance (DOIs) to respond to emerging cyber vulnerabilities or exposures during the period in between full scope exams (in development by Information Technology (IT) Examination (E) Working Group).

e. Information Technology (IT) Examination (E) Working Group

Mr. Ehlers provided the report of the IT Examination (E) Working Group. He stated that the Working Group met April 19 (Attachment Two) to discuss two recent referrals. He said the first referral came from the Chief Financial Regulator Forum and asked that the Working Group develop a mechanism that would allow for DOIs to respond to emerging cyber vulnerabilities and exposures during the period in between full scope exams. The second referral came from the Receivership Financial Analysis (E) Working Group and asked that the Working Group consider developing procedures for evaluating the quality and portability of policyholder data to ensure the ability to transfer such data in the event of receivership or liquidation. During this meeting, the Working Group formed a drafting group to develop a response to the referrals. Mr. Ehlers said the drafting group is finalizing a response to the first referral and beginning work on the second.

Ms. Orth made a motion, seconded by Mr. Kaumann, to adopt reports of the Electronic Workpaper (E) Working Group, the Financial Analysis Solvency Tools (E) Working Group, the Financial Examiners Coordination (E) Working Group, the Financial Examiners Handbook (E) Technical Group, and the IT Examination (E) Working Group. The motion passed.

Having no further business, the Examination Oversight (E) Task Force adjourned.

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Draft: 11/22/21

Financial Analysis Solvency Tools (E) Working Group
Virtual Meeting
November 15, 2021

The Financial Analysis Solvency Tools (E) Working Group of the Examination Oversight (E) Task Force met Nov. 15, 2021. The following Working Group members participated: Judy Weaver, Chair (MI); Patricia Gosselin, Vice Chair (NH); Shelia Travis (AL); Kurt Regner (AZ); Michelle Lo (CA); Kathy Belfi (CT); Carolyn Morgan (FL); Eric Moser (IL); Roy Eft (IN); Debbie Doggett (MO); Dwight Radel (OH); Kimberly Rankin (PA); Jack Broccoli (RI); Amy Garcia (TX); and Kristin Forsberg (WI).

1. Adopted its Oct. 12 Minutes

The Financial Analysis Solvency Tools (E) Working Group conducted an e-vote that concluded Oct. 12 to consider adoption of revisions to the 2021/2022 edition of the *Financial Analysis Handbook* (Handbook)

Ms. Doggett made a motion, seconded by Mr. Radel, to adopt the Working Group's Oct. 12 minutes (Attachment 1). The motion passed unanimously.

2. Discussed and Adopted Exposed Liquidity Stress Test (LST) Revisions to the 2021/2022 Handbook

Ms. Weaver summarized the Liquidity Stress Test (LST) Framework exposure draft guidance revisions for the 2021/2022 edition of Handbook (Attachment 2). The LST Framework and the related holding company models revisions were adopted by the NAIC earlier in 2021. Ms. Weaver provided two possible solutions to the text for consideration.

Ms. Weaver said a comment letter was received from America's Health Insurance Plans (AHIP) on the proposed revisions to the draft LST guidance (Attachment 3). Tom Finnell (AHIP) summarized AHIP's concerns and recommended additional guidance to caveat the scope criteria section of the guidance to clarify that the criteria would not be appropriate to health insurers and property/casualty (P/C) insurers as the LST guidance is more related to life insurers.

Ms. Belfi agreed that a caveat may be needed to clarify the textual guidance for the Handbook. Mr. Eft also agreed that a caveat may be appropriate.

Todd Sells (NAIC) clarified that the LST Framework guidance on scope criteria was drafted so that the insurer group determined whether a P/C or health insurer entity is deemed to pose a material liquidity risk to the U.S. insurer group that triggered the scope criteria in a future year; then the P/C and health legal entity insurer within the group will perform the LST.

Mr. Finnell recommended a textual clarification to the scope criteria of the LST guidance to include the text "by the insurer group" to further clarify the scope criteria. The Working Group agreed with the clarification to the guidance.

Ms. Forsberg made a motion, seconded by Mr. Eft, to adopt the LST guidance with the recommended revision. The motion passed unanimously.

3. Adopted GCC Framework Guidance to the Handbook

Ms. Weaver summarized the Group Capital Calculation (GCC) Framework guidance developed by the Group Capital Calculation Drafting Group and recently adopted by the Group Capital Calculation (E) Working Group (Attachment 4 and Attachment 5). Ms. Weaver explained that the guidance was envisioned as more of an analytical tool and beneficial to incorporate the GCC framework guidance into the analysis process. The GCC guidance was considered for inclusion in the 2021/2022 edition of the Handbook revisions. There were no comments received.

Ms. Belfi made a motion, seconded by Ms. Travis, to adopt the GCC guidance as adopted by the Group Capital Calculation (E) Working Group and incorporate the guidance into the 2021/2022 Handbook revisions. The motion passed unanimously.

Having no further business, the Financial Analysis Solvency Tools (E) Working Group adjourned.

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Draft: 11/18/21

Financial Examiners Handbook (E) Technical Group
Virtual Meeting
November 17, 2021

The Financial Examiners Handbook (E) Technical Group of the Examination Oversight (E) Task Force met Nov. 17, 2021. The following Technical Group members participated: Susan Bernard, Chair (CA); John Litweiler, Vice Chair (WI); Blasé Abreo (AL); William Arfanis (CT); N. Kevin Brown (DC); Cindy Andersen (IL); Grace Kelly (MN); Shannon Schmoeger (MO); Andrea Johnson (NE); Colin Wilkins (NH); Tracy Snow (OH); Eli Snowbarger (OK); Matt Milford (PA); and John Jacobson (WA).

1. Adopted its Oct. 5 Minutes

The Financial Examiners Handbook (E) Technical Group met Oct. 5 and took the following action: 1) exposed handbook guidance related to completeness and accuracy repository revisions and coordination framework revisions.

Mr. Litweiler made a motion, seconded by Mr. Snow, to adopt its Oct. 5 minutes (Attachment x-A). The motion passed unanimously.

2. Adopted Handbook Guidance

a. Completeness and Accuracy Revisions

Ms. Bernard said the first set of revisions to consider for adoption relate to enhancements to examination repositories (Attachment x-B) to address the completeness and accuracy of claims data. She said one comment letter was received from Connecticut (Attachment x-C) during the exposure period. The comment letter recommended that the proposed phase 5 procedure on the Life Reserves repository related to obtaining policyholder confirmations be removed. Ms. Bernard stated that there was some debate on the last call regarding whether this procedure would typically be performed by examiners. NAIC staff updated the Life Reserves repository to reflect this deletion proposed by Connecticut.

b. Coordination Framework Revisions

Ms. Bernard said the next set of revisions to consider for adoption relate to the exam coordination framework (Attachment x-D) and are intended to clarify and simplify the roles and responsibilities of states that are, or could be, involved in a coordinated examination. She said one formal comment letter was received during the exposure period from America's Health Insurance Plans—AHIP (Attachment x-E). The comment letter and informal feedback received resulted in minor amendments to the coordination framework revisions. Ms. Bernard said the comment letter included one suggestion that was not accepted regarding additional guidance for safeguarding and maintaining the confidentiality of information in examination files. As standards for protection and confidentiality of sensitive data are typically prescribed at the state level and may vary significantly from state to state, no revisions were made as a result of this recommendation.

Tom Finnell (AHIP) said he appreciates the Technical Group's review and efforts to make clarifying amendments to the coordination framework revisions in response to AHIP's comment letter. He indicated that he understands why the specific confidentiality and security guidance recommendation was not included within these revisions, but he noted that he hopes there is a central place within NAIC materials where there is sufficient guidance to ensure that proper security measures are being used.

Mr. Litweiler made a motion, seconded by Mr. Arfanis, to adopt the guidance related to: 1) completeness and accuracy revisions; and 2) coordination framework revisions. The motion passed unanimously.

Having no further business, the Financial Examiners Handbook (E) Technical Group adjourned.

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NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Virtual Meeting


INFORMATION TECHNOLOGY (IT) EXAMINATION (E) WORKING GROUP

Thursday, November 18, 2021

Summary Report

The IT Examination (E) Working Group met Nov. 18, 2021. During this meeting, the Working Group:

1. Adopted guidance for inclusion in the *Financial Condition Examiners Handbook* in the sections outlined below in response to a referral from the Receivership Financial Analysis (E) Working Group, which requested additional guidance for evaluating the quality and portability of policyholder data.
 - A. New guidance in Sections 1–3 describing the importance of insurance companies maintaining data in a manner that would allow for the timely and efficient transfer of policyholder data, as well as guidance referencing tools that may be utilized in conducting this assessment.
 - B. Updates to the Exhibit C – IT Planning Questionnaire and Instructional Notes to include inquiries regarding comingled data and the accessibility and transferability of significant company datasets, as well as references to procedures within the IT work program that could be used in addressing related risks.
 - C. Updates to Exhibit C – Work Program to include common controls, preliminary information requests, and possible test procedures regarding the accessibility and transferability of data.
2. Adopted guidance for inclusion in the *Financial Condition Examiners Handbook* in the sections outlined below in response to a growing concern around ransomware and other cybersecurity risks.
 - A. New guidance in Sections 1–3 describing ransomware and considerations for assessing an insurer’s overall cyber hygiene.
 - B. Updates to Exhibit C – Work Program to include common controls, preliminary information requests, and possible test procedures regarding the nature of company backup systems and whether those backups are air-gapped and immutable.
3. Approved a new sound practices document that was developed in response to a referral from the Chief Financial Regulator Forum requesting additional guidance for assessing cyber vulnerabilities. This document, which will be posted on the Working Group’s public website, includes possible questions to ask insurers and procedures to perform if a cyber vulnerability is discovered in the period between full-scope examinations. This document also illustrates action steps to take depending on the nature of the findings, as well as how findings from this investigation can be used in ongoing company monitoring.

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Draft: 11/22/21

Information Technology (IT) Examination (E) Working Group
Virtual Meeting
October 13, 2021

The IT Examination (E) Working Group of the Examination Oversight (E) Task Force met Oct. 13, 2021. The following Working Group members participated: Jerry Ehlers, Chair (IN); Ber Vang, Vice Chair (CA); Blase Abreo (AL); Mel Anderson (AR); William Arfanis and Ken Roulier (CT); Ginny Godek (IL); Dmitriy Valekha (MD); Kim Dobbs and Cynthia Amann (MO); Justin Schrader (NE); Eileen Fox (NY); Metty Nyangoro (OH); Eli Snowbarger (OK); Melissa Greiner and Matt Milford (PA); and Eleanor Lu (WI).

1. Exposed Two Referrals Sent to the Working Group

Mr. Ehlers explained that the Working Group received two referrals in March. The first referral was received from the Receivership Financial Analysis (E) Working Group and asked the Working Group to consider additional guidance for evaluating an insurer's systems and data—including storage, format, and portability—as part of the IT review during an examination. The second referral was received from the facilitator of the Chief Financial Regulator Forum and asked the Working Group to consider additional guidance for addressing cyber vulnerabilities, particularly in response to emerging vulnerabilities arising outside of the full-scope examination.

Mr. Ehlers explained a drafting group was formed and met five times since the IT Examination (E) Working Group's last meeting on Apr. 19 to address the two referrals received. He asked Jacob Steilen (NAIC) to walk through the proposed responses. For the Chief Financial Regulator Forum referral, Mr. Steilen explained that the drafting group created a sound practices document, which contains questions to ask the company and possible action steps to take if a cyber vulnerability was discovered. In response to the Receivership Financial Analysis (E) Working Group's referral, the drafting group's response included *Financial Condition Examiners Handbook* (Handbook) revisions in Section 1–3 and Exhibit C regarding data standards.

The Working Group exposed the two responses for a 30-day public comment period ending Nov. 12.

2. Exposed Ransomware Revisions

Mr. Ehlers said that ransomware attacks are becoming more common and can greatly affect an insurer's operations. As a result, the Working Group exposed Handbook revisions to address this emerging issue. These procedures include narrative guidance on how companies can maintain a robust cyber hygiene program. In addition, procedures were added to the Exhibit C work program to cover the concept of storing backup data files in an offline, air-gapped environment.

The Working Group exposed the revisions for a 30-day public comment period ending Nov. 12.

Having no further business, the IT Examination (E) Working Group adjourned.

[Member Meetings/Fall 2021/TF/EXAMO/ITEWG/10.13.21 Meeting Minutes](#)