

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

## **EXAMINATION OVERSIGHT (E) TASK FORCE**

Wednesday, December 1, 2021

### **Meeting Summary Report**

The Examination Oversight (E) Task Force met Dec. 1, 2021. During this meeting, the Task Force:

1. Adopted its Summer National Meeting minutes.
2. Adopted its 2022 proposed charges.
3. Adopted the report of the Electronic Workpaper (E) Working Group, which met Nov. 16 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.
4. Adopted the report of the Financial Analysis Solvency Tools (E) Working Group, which met Nov. 15 and took the following action:
  - A. Adopted the following revisions into the *Financial Analysis Handbook*:
    - i. Liquidity Stress Test (LST): Additional guidance and another procedure were added to the existing LST framework and the *Insurance Holding Company System Model Act (#440)* requesting that the lead state review and determine if any concerns exist and, if necessary, seek further explanation from the insurer.
    - ii. Group Capital Calculation (GCC): Guidance was included to incorporate the GCC into the analysis process, specifically to be used as an analysis tool, rather than a set of ratios.
5. Adopted the report of the Financial Examiners Coordination (E) Working Group, which met Nov. 29 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings.
6. Adopted the report of the Financial Examiners Handbook (E) Technical Group, which met Nov. 17 and Oct. 5 and took the following action:
  - A. Adopted the following guidance into the *Financial Condition Examiners Handbook*:
    - i. Coordination Framework: The Coordination Framework was revised to clarify and simplify the roles and responsibilities of states that are or could be involved in a coordinated examination. As a part of these revisions, the Technical Group expects to recommend that the Financial Regulation Standards and Accreditation (F) Committee update its guidance related to the use of Exhibit Z for documenting exam coordination.
    - ii. Completeness and Accuracy: The reserves and underwriting repositories were updated to enhance the procedures used for testing the completeness and accuracy of data. These updates reflect a broader range of testing procedures that auditors are using to test the completeness and accuracy of data, including placing more reliance on control testing and using analytical procedures.
7. Adopted the report of the Information Technology (IT) Examination (E) Working Group, which met Nov. 18 and Oct. 13 and took the following action:
  - A. Adopted revisions to guidance within the *Financial Condition Examiners Handbook* related to:



- i. Quality and Portability of Policyholder Data:
  - a. Sections 1–3 were revised to include new guidance describing the importance of insurance companies maintaining data in a manner that would allow for timely and efficient transfer of policyholder data, as well as tools that may be used in conducting this assessment.
  - b. Exhibit C – IT Planning Questionnaire and Instructional Notes were updated to include inquiries regarding comingled data and the accessibility and transferability of significant company data sets, as well as references to procedures within the IT work program that could be used in addressing related risks.
  - c. Exhibit C – Work Program was updated to include common controls, preliminary information requests, and possible test procedures regarding the accessibility and transferability of data.
- ii. Ransomware and Other Cybersecurity Risks:
  - a. Sections 1–3 were revised to include new guidance describing ransomware and considerations for assessing an insurer’s overall cyber hygiene.
  - b. Exhibit C – Work Program was updated 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.
- B. Cyber Vulnerabilities Sound Practice Document: Approved the sound practices document, which provides additional guidance for assessing cyber vulnerabilities. The document includes possible questions to ask insurers and procedures to perform if a cyber vulnerability is discovered in the period between full-scope examinations.

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