

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

Draft Pending Adoption

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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