

Draft date: 11/6/23

Virtual Meeting

(in lieu of meeting at the Fall National Meeting)

EXAMINATION OVERSIGHT (E) TASK FORCE

Wednesday, November 15, 2023

2:00 – 2:30 p.m. ET / 1:00 – 1:30 p.m. CT / 12:00 – 12:30 p.m. MT / 11:00 – 11:30 a.m. PT

ROLL CALL

Ohio, Chair	Idaho	Mississippi	Oregon
District of Columbia, Vice Chair	Indiana	Missouri	Pennsylvania
Alabama	Iowa	Montana	Rhode Island
Alaska	Kansas	Nebraska	South Carolina
California	Kentucky	New Hampshire	South Dakota
Colorado	Louisiana	New Jersey	Texas
Connecticut	Massachusetts	New Mexico	Virginia
Delaware	Michigan	North Dakota	Washington
Florida	Minnesota	Oklahoma	Wisconsin

NAIC Support Staff: Bailey Henning/Elise Klebba

AGENDA

1. Consider Adoption of its Sept. 22 and Summer National Meeting Minutes Attachment One
—Dwight Radel (OH)
2. Consider Adoption of its Working Group Reports Attachment Two
—Dwight Radel (OH)
 - A. Electronic Workpaper (E) Working Group—*Laura Clements (CA)*
 - B. Financial Analysis Solvency Tools (E) Working Group—*Greg Chew (MI)*
 - C. Financial Examiners Coordination (E) Working Group
—Cindy Andersen (IL)
 - D. Financial Examiners Handbook (E) Technical Group—*Eli Snowbarger (OK)*
3. Discuss Any Other Matters Brought Before the Task Force— *Dwight Radel (OH)*
4. Adjournment

Draft: 9/26/23

Examination Oversight (E) Task Force
E-Vote
September 22, 2023

The Examination Oversight (E) Task Force conducted an e-vote that concluded Sept. 22, 2023. The following Task Force members participated: Judith L. French, Chair, represented by Dwight Radel (OH); Karima M. Woods, Vice Chair, represented by N. Kevin Brown (DC); Mark Fowler (AL); Ricardo Lara represented by Laura Clements (CA); Trinidad Navarro represented by Rylynn Brown (DE); Dean L. Cameron represented by Eric Fletcher (ID); Amy L. Beard represented by Roy Eft (IN); Vicki Schmidt represented by Levi Nwasoria (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); Chlora Lindley-Myers (MO); Troy Downing represented by Kari Leonard (MT); Jon Godfread represented by Matt Fischer (ND); D.J. Bettencourt represented by Doug Bartlett (NH); Glen Mulready represented by Eli Snowbarger (OK); Michael Wise represented by Geoffrey Bonham (SC); Larry D. Deiter represented by Johanna Nickelson (SD); Scott A. White represented by David Smith (VA); Mike Kreidler represented by Tarik Subbagh (WA); and Nathan Houdek represented by Amy Malm (WI).

1. Adopted its 2024 Proposed Charges

The Task Force conducted an e-vote to consider adoption of its 2024 proposed charges (*see NAIC Proceedings – Fall 2023, Financial Condition (E) Committee, Attachment XX*).

The Financial Analysis Solvency Tools (E) Working Group and Financial Examiners Handbook (E) Technical Group both removed a charge that specifically mentioned coordinating with the Life Actuarial (A) Task Force on principle-based reserving (PBR) matters and revised an existing charge to include coordination with other NAIC groups to respond to issues and input.

The Information Technology (IT) Examination (E) Working Group revised its existing charges to clarify the sections of the *Financial Condition Examiners Handbook* or other tools it could revise in order to address IT risks.

The motion passed unanimously.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/E Cmte/EOTF/1 – EOTF E-Vote Minutes 9-22-23

Draft Pending Adoption

Draft: 7/31/23

Examination Oversight (E) Task Force
Virtual Meeting (*in lieu of meeting at the 2023 Summer National meeting*)
July 24, 2023

The Examination Oversight (E) Task Force met July 24, 2023. The following Task Force members participated: Judith L. French, Chair, represented by Dwight Radel (OH); Karima M. Woods, Vice Chair, represented by N. Kevin Brown (DC); Lori K. Wing-Heier represented by David Phifer (AK); Mark Fowler represented by Blase Abreo (AL); Ricardo Lara represented by Laura Clements (CA); Michael Conway represented by Carol Matthews (CO); Andrew N. Mais represented by Michael Estabrook (CT); Trinidad Navarro represented by Tom Hudson (DE); Michael Yaworsky represented by Jane Nelson (FL); Doug Ommen represented by Daniel Mathis (IA); Dean L. Cameron represented by Eric Fletcher (ID); Amy L. Beard represented by Roy Eft (IN); Vicki Schmidt represented by Levi Nwasoria (KS); Sharon P. Clark represented by Jeff Gaither (KY); James J. Donelon represented by Melissa Gibson (LA); Gary D. Anderson represented by James A. McCarthy (MA); Anita G. Fox represented by Judy Weaver (MI); Grace Arnold represented by Kathleen Orth (MN); Chlora Lindley-Myers represented by Shannon Schmoeger (MO); Mike Chaney represented by Mark Cooley (MS); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Andrea Johnson (NE); D.J. Bettencourt represented by Colin Wilkins (NH); Glen Mulready represented by Eli Snowbarger (OK); Michael Humphreys represented by Diana Sherman (PA); Elizabeth Kelleher Dwyer represented by John Tudino (RI); Michael Wise represented by Gwendolyn McGriff (SC); Larry D. Deiter represented by Johanna Nickelson (SD); Cassie Brown represented by Shawn Frederick (TX); Scott A. White represented by Greg Chew (VA); Mike Kreidler represented by Tarik Subbagh (WA); and Nathan Houdek represented by John Litweiler (WI).

1. Adopted its 2022 Fall National Meeting Minutes

Orth made a motion, seconded by Eft, to adopt the Task Force's Dec. 14, 2022, minutes (*see NAIC Proceedings – Fall 2022, Examination Oversight (E) Task Force*). The motion passed unanimously.

2. Adopted the Reports of its Working Groups and Technical Group

A. Financial Analysis Solvency Tools (E) Working Group

Radel provided the report of the Financial Analysis Solvency Tools (E) Working Group. He stated that the Working Group met June 1 in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters) of the NAIC Policy Statement on Open Meetings, to continue work on its goals. The Working Group also conducted a regulator-only e-vote, pursuant to paragraph 4 (internal or administrative matters) of the NAIC Policy Statement on Open Meetings, that concluded July 12 to adopt revisions to the *Insurer Profile Summary Sharing Best Practices Guide*.

B. Financial Examiners Coordination (E) Working Group

Radel provided the report of the Financial Examiners Coordination (E) Working Group. He stated that the Working Group met April 17 and March 22 in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters) of the NAIC Policy Statement on Open Meetings, to continue work on its goals.

C. Electronic Workpaper (E) Working Group

Draft Pending Adoption

Radel stated that although the Electronic Workpaper (E) Working Group had not met this year, it wanted to provide a brief update regarding the TeamMate+ transition. Clements provided the update for the Working Group and said that it continues to oversee the transition to TeamMate+. She noted that the transition is progressing at a steady pace and as of July 20, 23 states have signed the rider agreement, 13 states have access to live databases, and 10 states are in the transition process. There are currently 18 states in the Gold Team Cloud environment and four states in the FedRAMP environment. She said the Working Group expects to have enough states online by year-end to facilitate exam coordination.

D. Financial Examiners Handbook (E) Technical Group

Snowbarger provided the report of the Financial Examiners Handbook (E) Technical Group. He stated that the Technical Group met June 20 to expose updates related to Exhibit G – Consideration of Fraud and a memorandum of understanding for a 30-day public comment period. He noted that Exhibit G was updated to further align with the risk-focused examination approach and encouraged regulators to leverage the work performed by others (especially external auditors) in this area. Revisions clarified that if the auditor's fraud testing is deemed to be reliable, the examination team is not expected to complete the Fraud Risk Factor Checklist part of the exhibit. Additionally, in response to a Receivership Law (E) Working Group referral, Section 1-3 of the *Financial Condition Examiners Handbook* was updated to include a reference to the memorandum of understanding template. This template can be used to facilitate transitional planning and preparation, communication, and information sharing in a pre-liquidation situation. As no comments were received, the Technical Group will consider adoption of this guidance during its next meeting.

Snowbarger said that the Technical Group also discussed its other 2023 projects, which include proposed revisions to incorporate: 1) consideration of climate-related risks; and 2) takeaways from the May 2023 Examination Peer Review. The Technical Group expects these proposed revisions to be considered for exposure during its next meeting, which is anticipated in late August.

Finally, Snowbarger mentioned that the Technical Group has formed a drafting group to address the referral from the Financial Analysis (E) Working Group related to strategic and operational risks faced by health insurers.

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

Ehlers provided the report of the IT Examination (E) Working Group. He stated that the Working Group met April 11 to discuss a referral received from the Cybersecurity (H) Working Group, which requests that the Working Group consider adding and/or revising IT review guidance within the *Financial Condition Examiners Handbook* to better prioritize cybersecurity risks and to consider a variety of sources in developing such guidance. The Working Group formed a drafting group to begin researching different frameworks that could be leveraged in the development of this guidance. He stated that the drafting group also plans to review the current procedures within Exhibit C to determine if there are any areas that can be streamlined to become more effective. Due to the nature of this project, the Working Group anticipates its efforts to carry over into 2024.

Cooley made a motion, seconded by Mathis, to adopt reports of the Financial Analysis Solvency Tools (E) Working Group, the Financial Examiners Coordination (E) Working Group, the Electronic Workpaper (E) Working Group, the Financial Examiners Handbook (E) Technical Group including its June 20 minutes (Attachment One), and the IT Examination (E) Working Group, including its April 11 minutes (Attachment Two). The motion passed unanimously.

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

Draft Pending Adoption

SharePoint/NAIC Support Staff Hub/Member Meetings/E CMTE/EOTF/EOTF Summer NM Minutes Draft.docx

Draft: 11/9/23

Financial Analysis Solvency Tools (E) Working Group
Virtual Meeting
October 2, 2023

The Financial Analysis Solvency Tools (E) Working Group of the Examination Oversight (E) Task Force met Oct. 2, 2023. The following Working Group members participated: Greg Chew, Chair (VA); Amy Garcia (TX), Vice Chair; David Lee and Kurt Regner (AZ); Michelle Lo (CA); Jack Broccoli (CT); N. Kevin Brown (DC); Judy Weaver and Kristin Hynes (MI); Debbie Doggett (MO); Olga Dixon (NJ); Victor Agbu (NY); Tim Biler (OH); Liz Ammerman (RI); and Kristin Forsberg (WI).

1. Heard Opening Remarks

Chew stated that the meeting's purpose is to discuss responses and consider recommendations for edits to the drafts exposed on Aug. 11. He said the Working Group will also consider adoption of *Financial Analysis Handbook* guidance in response to the referrals and recommendations from the Climate and Resiliency (EX) Task Force, the Risk Retention Group (E) Task Force, the Ad Hoc (E/F) Group, the Risk-Focused Surveillance (E) Working Group, and the Receivership Law (E) Working Group, as well as other proposed revisions recommended by NAIC staff.

2. Discussed Comments Received on Referral from the Climate and Resiliency (EX) Task Force

Chew stated the first item of business to discuss on the agenda is to discuss comments received on the exposure draft revisions to the *Financial Analysis Handbook* (2023/2024 edition), in response to a referral received from the Climate and Resiliency (EX) Task Force.

The Working Group received a letter from Jeff Martin (UnitedHealthcare). Martin stated he believes that this was a great addition for efficiencies to both the *Financial Analysis Handbook* and the *Receiver's Handbook for Insurance Company Insolvencies* (Receiver's Handbook), speaking from the point of view of an insurer with a big holding group. Martin's comments focused on the enhancements proposed to various sections of the *Financial Analysis Handbook* to incorporate climate change risks. He suggested the addition of "material" in front of references to climate risks.

Martin stated he appreciates the opportunity to provide comments in response to the *Financial Analysis Handbook* that were exposed during the Working Group's Aug. 8 meeting. He said his comments focus only on the additions proposed to various sections of the *Financial Analysis Handbook* to incorporate climate change risks—specifically in the credit, market, and liquidity branded risk repositories—and that he understands those tracked changes apply to all statement types (life, accident, and health [LA&H], health, and property/casualty [P/C]). Martin said UnitedHealthcare did not provide changes to the pricing/underwriting and strategic branded risk repositories as those tracked changes apply only to P/C companies. He stated he is suggesting the addition of "material" in front of references to climate risks as shown on the tracked change Word document accompanying a comment letter in his response to the Working Group's request for comments. Martin also stated he understood that while analysis and management of climate risk is important, it may not be as material as other industries. By putting the word "material" in the language it helps to encourage a level of rigor that is appropriate to the risk level.

Chew pointed out that there are not many instances of the qualifier being included as edits within the previously drafted language. He also mentioned that in further review of the *Financial Analysis Handbook*, there are

numerous instances of “material” and “materiality” being used throughout the publication. These qualifiers can be found in both guidance and in the risk repositories.

3. Discussed Edits from NAIC Staff on the Role of the Financial Analyst in the Exam Process

Chew stated the second item on the agenda is to discuss edits from NAIC staff on the role of the financial analyst in the exam process. Chew asked Bill Rivers (NAIC) to provide an overview of those updates.

Rivers stated the NAIC’s Financial Examiners Handbook (E) Technical Group received some comments regarding Exhibit D as a result of its exposure period on enhancements to the Examiner’s Handbook and worked with a state insurance regulator in making some edits to the revisions proposed within Exhibit D to the 2023 Examiners Handbook.

Rivers pointed out that these edits have not yet been adopted but will be presented on the next Financial Examiners Handbook (E) Technical Group, currently scheduled for Oct. 31, to consider for adoption at that time.

As Exhibit D is also included in the Analysis Handbook, Rivers stated the additional guidance on the role of the financial analyst in the exam process was presented in this meeting to be included for possible adoption. Otherwise, these edits would not be included in the *Financial Analysis Handbook* until the 2024 annual version.

4. Adopted the Revisions to the *Financial Analysis Handbook*

Chew stated the next item on the agenda is to consider adoption of the enhancements and/or edits to the *Financial Analysis Handbook* related to referrals from the Climate and Resiliency (EX) Task Force, the Risk Retention Group (E) Task Force, the Ad Hoc (E/F) Group, the Risk-Focused Surveillance (E) Working Group, the Receivership Law (E) Working Group and other proposed revisions recommended by NAIC staff.

Amy Garcia (TX) made a motion, seconded by Pat Gosselin (NH), to adopt the revisions to the *Financial Analysis Handbook* (Attachment ____). The motion passed unanimously.

5. Adopted the Recommendations to Change Two Life IRIS Ratios

Chew stated the fourth item on the agenda is to discuss edits made and consider adoption of recommendations to change two life Insurance Regulatory Information System (IRIS) ratios. Chew asked Ralph Villegas (NAIC) to provide an overview of those updates.

Villegas gave an overview of the changes made to two life ratios (ratio 10 and ratio 12). He said these revisions were driven by changes made to the life annual blank. These changes will be reflected in the 2023 filings.

Richard Russell (AL) made a motion, seconded by Amy Garcia (TX), to adopt the updates to life IRIS ratio 10 and ratio 12 (Attachment ____). The motion passed unanimously.

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

SharePoint/NAIC Support Staff Hub/E CMTE/2023-3-Fall/EOTF

Draft: 10/26/23

Financial Analysis Solvency Tools (E) Working Group
Virtual Meeting
August 9, 2023

The Financial Analysis Solvency Tools (E) Working Group of the Examination Oversight (E) Task Force met Aug. 9, 2020. The following Working Group members participated: Greg Chew, Chair (VA); Amy Garcia (TX), Vice Chair; David Lee and Kurt Regner (AZ); Michelle Lo (CA); Jack Broccoli (CT); N. Kevin Brown (DC); Amanda Denton (IN); Judy Weaver and Kristin Hynes (MI); Debbie Doggett (MO); Olga Dixon (NJ); Victor Agbu (NY); Tim Biler (OH); Liz Ammerman (RI); and Kristin Forsberg (WI).

1. Heard Introductory Remarks

Chew stated that the purpose of the meeting was to consider exposure of 2023 *Financial Analysis Handbook* guidance in response to referrals and recommendations from the Climate and Resiliency (EX) Task Force, the Risk Retention Group (E) Task Force, the Ad Hoc (E/F) Group, the Risk-focused Surveillance (E) Working Group, and the Receivership Law (E) Working Group, as well as other proposed revisions recommended by NAIC staff.

2. Received a Referral from the Climate Resiliency (EX) Task Force to the 2023 *Financial Analysis Handbook*

Chew said a referral was received from the Climate Resiliency (EX) Task Force addressing climate risk. To address this charge, the Task Force designated a Solvency Workstream to explore potential enhancements to existing solvency monitoring processes surrounding this topic.

Chew called on NAIC staff to summarize the proposed revisions.

Bill Rivers (NAIC) summarized a proposal to address invested asset exposure to climate change and energy transition risk within the credit, market, and liquidity branded risk categories in all three statement types (property/casualty [P/C], life, and health). Rivers explained the exposure draft only displays proposed additions to the P/C statement type. In other branded risk categories, including pricing and underwriting, as well as strategic, only the P/C section of the branded risk repositories are impacted. Rivers continued to explain that transition risks refer to stresses on certain investment holdings arising from the shifts in policy, consumer and business sentiment, or technologies associated with the changes necessary to limit climate change. A few examples of investment holdings and sectors generally subject to greater levels of transition risk include oil/gas, transportation, heavy manufacturing, and agriculture.

Chew asked whether there were any comments or questions from Working Group members, interested regulators, or interested parties?

Hearing no comments or questions, Chew proceeded to the next agenda item.

3. Received a Referral from the Risk Retention Group (E) Task Force to the 2023 *Financial Analysis Handbook*

Chew said a referral was received from the Risk Retention Group (E) Task Force. The referral included the Task Force's recommendations for updating the *Financial Analysis Handbook* guidance related to the group capital calculation (GCC). Chew called on Rivers to provide a summary of the Task Force's recommendations.

Rivers summarized the recommendation from the Task Force to expand existing guidance for exempting groups from the GCC to include special considerations for risk retention groups (RRGs). The recommended guidance notes that RRGs often have unique structures, which affects the way they are regulated. The recommendation also includes examples of unique circumstances or structures and related procedures to consider when granting exemptions for RRGs from the GCC.

Chew asked whether there were any comments or questions from Working Group members, interested regulators, or interested parties?

Hearing no comments or questions, Chew proceeded to the next agenda item.

4. Received a Referral from the Ad Hoc (E/F) Group on Efficiencies and Resources to the *Financial Analysis Handbook*

Chew said the next set of proposed revisions are in response to a referral the Working Group received from the Ad Hoc (E/F) Group. The Ad Hoc Group was formed in 2022 to study issues regarding solvency monitoring resources and make recommendations to improve process efficiency. As a result of recent discussions, the Ad Hoc Group identified an opportunity for analysis efficiencies in quarterly and annual risk assessment documentation. Chew asked Rivers to summarize the Ad Hoc Group's proposed revisions.

Rivers stated the Ad Hoc Group proposed additional text to the *Financial Analysis Handbook*. The Ad Hoc Group identified an opportunity to be more efficient in quarterly and annual risk assessment documentation by allowing existing analysis documentation available in other areas of the analysis file to be cross-referenced, as opposed to requiring it to be duplicated in the risk assessment worksheet.

Chew asked whether there were any comments or questions from Working Group members, interested regulators, or interested parties?

Hearing no comments or questions, Chew proceeded to the next agenda item.

5. Received a Referral from the Risk-Focused Surveillance (E) Working Group (RFSWG) to the *Financial Analysis Handbook*

Chew stated the Working Group received a referral from the RFSWG regarding additional guidance recommended from Examination Peer Review takeaways. Chew asked Rivers to provide an overview of the referral and proposed guidance.

Rivers stated that while coordination and communication between the exam team and department analyst has continued to improve over time, the examination peer reviewers found that additional guidance could help clarify the role and expectations of the department analyst during the examination. To address this concern, a proposal was made to add an agenda topic to the *Template for Planning Meeting with Financial Examiner*, which is included in the *Financial Analysis Handbook*. The new agenda item for the template discusses expectations for the analyst in participating in certain exam activities, monitoring the status of the exam, and communicating new information about the company (e.g., quarterly results, new Form D filings) that could arise during the examination. Furthermore, when the examination is being led by an independent contractor, the proposal recommends that the department designee lead this planning meeting discussion topic.

Chew asked whether there were any comments or questions from Working Group Members, Interested Regulators, or Interested Parties?

Hearing no comments or questions, Chew proceeded to the next agenda item.

6. Received a Referral from the Receivership Law (E) Working Group to the *Financial Analysis Handbook*

Chew stated the last referral was received from the Receivership Law (E) Working Group. This is related to a memorandum of understanding that was adopted in November 2022 that can be used as an optional tool for sharing information with guaranty funds in advance of liquidation of a P/C insurer. The Receivership Law (E) Working Group referred the memorandum of understanding to this Working Group requesting to include at least a reference to it in the *Financial Analysis Handbook*. The memorandum of understanding is available on the NAIC website and will be included as an appendix in the *Receivers Handbook for Insurance Company Insolvencies* (Receiver's Handbook). Even though it is housed in the Receivers Handbook, the use of such a memorandum of understanding is a pre-receivership consideration, rather than a post-receivership consideration, which is the reason for the request. A similar referral was made for other handbooks. NAIC staff drafted a paragraph describing the memorandum of understanding for the Analysis Handbook's introductory chapter for Department Organization and Communication. The exposure is only for the reference to the memorandum of understanding, and not the memorandum of understanding itself. The NAIC has already adopted the memorandum of understanding.

Chew asked whether there were any comments or questions from Working Group members, interested regulators, or interested parties?

Hearing no comments or questions, Chew proceeded to the next agenda item.

7. Received NAIC Staff Recommendations to the Handbook

Chew stated that the last recommendation was from NAIC staff, which recommend the inclusion of a reference to work that was to be discussed at the Receivership and Insolvency (E) Task Force meeting at the 2023 Summer National Meeting. The Task Force was expected to expose draft language that states can use to develop a portion of resolution plans for internationally active insurance groups. The project aims to provide states with a template that describes the U.S. receivership regime and allows consistent messaging to international regulators. Lead states will be able to use the template in their discussions with other international jurisdictions at supervisory colleges, crisis management groups and in resolution plans. The draft language is not included in the Analysis Handbook exposure as it will be exposed by the Task Force. All state insurance regulators and interested parties were recommended to consider the exposure from the Task Force. It was anticipated that the template would be housed in other handbooks including the Receiver's Handbook for Insurance Company Insolvencies. If finalized and approved by the Task Force this Fall, it is anticipated that the Task Force would request the Analysis Handbook include at least a reference to this guidance. While it is not a foregone conclusion that the template would not be referred to in the *Financial Analysis Handbook* in the future, NAIC staff recommends including a place-holder within the supervisory college chapter footnotes that refers to the guidance, in whichever other location it resides, subject to the Task Force's adoption.

Chew asked whether there were any comments or questions from Working Group members, interested regulators, or interested parties?

Mr. Chew asked if there were any objections to expose these revisions for a 30-day comment period ending September 8th?

The Working Group agreed to expose the enhanced regulatory guidance to the *Handbook* would be exposed for a 30-day public comment period ending Sept. 8.

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

Sharepoint/NAIC Support Staff Hub/E CMTE/2023-3-Fall/EOTF

Draft date: 11/9/2023

Virtual Meeting

FINANCIAL EXAMINERS HANDBOOK (E) TECHNICAL GROUP

Monday, November 13, 2023

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

Summary Report

The Financial Examiners Handbook (E) Technical Group met Nov. 13, 2023. During this meeting, the Technical Group:

1. Adopted its Aug. 24 minutes, which included the following action:
 - A. Adopted the following *Financial Condition Examiners Handbook* (Handbook) guidance:
 - 1) updates to Exhibit G – Consideration of Fraud to align more closely with risk-focused examinations; 2) updates to Section 1-3 to incorporate reference to a memorandum of understanding in response to a referral from the Receivership Law (E) Working Group; and 3) revisions to various sections throughout the Handbook related to affiliated service agreements in response to a referral from the Risk-Focused Surveillance (E) Working Group.
 - B. Exposed the following Handbook guidance for a 30-day public comment period ending Sept. 25:
 - 1) updates to Exhibit D – Planning Meeting With the Analyst and guidance for status reports in response to a referral from the Risk-Focused Surveillance (E) Working Group following the examination peer review session in May; and 2) updates to various sections throughout the Handbook to incorporate consideration of climate-related risks in response to a referral from the Climate and Resiliency (EX) Task Force.
 - C. Discussed its 2023 project listing.
2. Adopted the following Handbook guidance: 1) updates to Exhibit D – Planning Meeting With the Analyst and guidance for status reports in response to a referral from the Risk-Focused Surveillance (E) Working Group following the examination peer review session in May; 2) updates to various sections throughout the Handbook to incorporate consideration of climate-related risks in response to a referral from the Climate and Resiliency (EX) Task Force; and 3) updates to various sections throughout the Handbook to address recommendations raised in a referral from the Financial Analysis (E) Working Group related to strategic and operational risks of health insurers.

Draft: 8/30/23

Financial Examiners Handbook (E) Technical Group
Virtual Meeting
August 24, 2023

The Financial Examiners Handbook (E) Technical Group of the Examination Oversight (E) Task Force met Aug. 24, 2023. The following Technical Group members participated: Eli Snowbarger, Co-Chair (OK); John Litweiler, Co-Chair (WI); Blase Abreo (AL); Laura Clements (CA); William Arfanis (CT); Cindy Andersen (IL); Grace Kelly (MN); Shannon Schmoeger (MO); Lindsay Crawford (NE); Nancy Lee Chice (NJ); and Diana Sherman (PA).

1. Adopted Handbook Guidance

A. Exhibit G – Consideration of Fraud

Snowbarger introduced the first set of proposed revisions related to Exhibit G and corresponding guidance. Exhibit G and related references throughout the *Financial Condition Examiners Handbook* (Handbook) were updated to align the exhibit with the risk-focused exam approach and clarify which parts of the exhibit should be completed in varying circumstances. He mentioned that there were no comments received on these proposed revisions during the exposure period.

B. Receivership Law (E) Working Group Referral

The next set of revisions was in response to the Receivership Law (E) Working Group referral. Snowbarger noted that Section 1-3 of the Handbook was updated to reference the memorandum of understanding, which is an optional tool for state insurance regulators that can be utilized to facilitate transitional planning and preparation, communication, and information sharing in a pre-liquidation situation. He said there were no comments received on these proposed revisions during the exposure period.

C. Risk-Focused Surveillance (E) Working Group Referral

Finally, Snowbarger introduced revisions to the Handbook regarding affiliated service agreements. He mentioned that the Risk-Focused Surveillance (E) Working Group finalized revisions at the Summer National Meeting after a lengthy review process with multiple comment periods. As such, the Working Group suggests that these edits are considered for adoption without an additional exposure period or any significant modification.

Arfanis made a motion, seconded by Litweiler, to adopt the guidance related to Exhibit G, the memorandum of understanding, and affiliated service agreements (Attachment ___). The motion passed unanimously.

2. Exposed Handbook Guidance

A. Risk-Focused Surveillance (E) Working Group Referral

Litweiler said the first set of revisions to consider for exposure relate to a referral received from the Risk-Focused Surveillance (E) Working Group regarding takeaways from the examination peer review session held in May. He noted that additional guidance was added in the following areas: communicating with the analyst, status updates, and emerging risks identified during the examination.

Litweiler mentioned that an agenda topic was added to Exhibit D – Planning Meeting with the Analyst to clarify the expectations of the department analyst throughout the examination. This includes participating in certain exam activities, monitoring the status of the exam, and communicating new information about the company. He emphasized that these revisions are not intended to require an additional level of participation by the analyst throughout the exam but are instead intended to ensure that the examiners and analysts communicate with each other and come to a consensus regarding each other’s responsibilities to one another through the examination.

Additionally, revisions note that if an independent contractor is leading the examination, it may be appropriate for the department designee to lead the discussion of certain agenda items. Because the planning meeting template is also included in the *Financial Analysis Handbook*, a similar referral was sent to the Financial Analysis Solvency Tools (E) Working Group for consideration.

Finally, Litweiler noted that updates were made to the sound practices document in response to the last referral item of emerging risks identified during the examination. He said the revisions include considerations for when a risk not present at the balance sheet date arises during fieldwork (phase 5) or wrap-up (phases 6–7). Because the sound practices document does not constitute authoritative guidance or add required procedures, those revisions will not be subjected to exposure and public comment.

B. Climate and Resiliency (EX) Task Force Referral

Litweiler introduced the next set of proposed revisions to consider for exposure, which were developed in response to a referral from the Climate and Resiliency (EX) Task Force in the spring of 2022. He noted that revisions were made to numerous areas of the Handbook to further integrate consideration of climate change risks into the financial examination process. He asked Elise Klebba (NAIC) to give an overview of the revisions.

Klebba said risks, potential controls, and potential procedures to consider were added and/or updated within the following repositories: Investments, Reinsurance Assuming, Reinsurance Ceding, and Underwriting. The Investment Repository revisions were made to consider the impact of climate change risks on an insurer’s investment portfolio and strategy. Next, minor edits to the Reinsurance Assuming Repository were made to include risk exposures and the monitoring of established risk limits using catastrophe models. Klebba noted that the bulk of the edits were made to the Reinsurance Ceding Repository to consider the risk of inadequate catastrophic reinsurance protection. She gave a couple of examples of potential controls and potential procedures that were added to this repository. Finally, the underwriting repository was updated to consider the use of catastrophe models and/or scenario analysis to help establish appropriate catastrophic risk exposure limits.

Next, Klebba addressed the changes to the planning procedures. She mentioned that the planning checklist (Exhibit A) and planning questionnaire (Exhibit B) revisions show some documents that can be obtained during planning or have already been filed with the department, like the climate-related disclosures, to help the examiner understand the company’s potential exposure.

Klebba noted that the one new requirement from these revisions is on the planning memo (Exhibit I), which was expanded to incorporate how climate-related risks are expected to be considered in the exam instead of creating a new critical risk category, as the referral suggested. However, climate-related risks are relevant to a few existing critical risk categories, so minor edits were made to those categories within Exhibit DD.

Lastly, Klebba mentioned that there were multiple potential interview questions added to Exhibit Y that may be applicable in this area. She reiterated that overall, the edits just provide direction on potentially relevant risks and procedures in this area, along with potential interview questions and documents that could be obtained to

understand the company's potential exposure further. Again, she emphasized that the only new requirement in these revisions is documenting climate-related risks within the planning memo (Exhibit I), if applicable.

Arfanis mentioned that in one of the edits within the Investments Repository, the NAIC Climate Disclosure Survey is referenced to better understand how the insurer has considered the impact of climate change risks on its investment portfolio. He also suggested adding the Task Force on Climate-Related Financial Disclosures to this procedure. Klebba stated that she would make a note to include that small edit on the document sent out for exposure.

As there were no objections, the Technical Group exposed the revisions for a 30-day public comment period ending Sept. 25.

3. Discussed the 2023 Project Listing

Snowbarger stated that the next agenda item was to discuss the 2023 project listing. He said aside from the few items that were just exposed, the Technical Group has formed a drafting group to address the Financial Analysis (E) Working Group referral received earlier this year pertaining to strategic and operational risks faced by health insurers.

Snowbarger noted that the drafting group met Aug. 21 to discuss how to best integrate guidance into the Handbook relating to these risks. The drafting group expects to have proposed revisions available to be considered for exposure on the next Technical Group call.

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

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