



Date: 7/30/21

*Virtual Meeting*

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

**EXAMINATION OVERSIGHT (E) TASK FORCE**

Thursday, August 5, 2021

11:00 a.m. – 12:00 p.m. ET / 10:00 – 11:00 a.m. CT / 9:00 – 10:00 a.m. MT / 8:00 – 9:00 a.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 Spring 2021 National Meeting Minutes Attachment One  
—*Dwight Radel (OH)*
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—*John Litweiler (WI)*
  - E. Information Technology (IT) Examination (E) Working Group  
—*Jerry Ehlers (IN)*
3. Discuss Any Other Matters Brought Before the Task Force  
—*Dwight Radel (OH)*
4. Adjournment

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## Draft Pending Adoption

Draft: 3/31/21

Examination Oversight (E) Task Force  
Virtual Meeting (*in lieu of meeting at the 2021 Spring National Meeting*)  
March 25, 2021

The Examination Oversight (E) Task Force met March 25, 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); Lori K. Wing-Heier represented by David Phifer (AK); Alan McClain represented by Mel Anderson (AR); Jon Savary represented by David Lee (AZ); Ricardo Lara represented by Susan Bernard (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); Doug Ommen represented by Daniel Mathis (IA); Dean L. Cameron represented by Eric Fletcher (ID); Stephen W. Robertson 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 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); Jon Godfread represented by Matt Fischer (ND); Bruce R. Ramge represented by Justin Schrader (NE); Chris Nicolopoulos represented by Patricia Gosselin (NH); Russell Toal represented by Leatrice Geckler (NM); Glen Mulready represented by Eli Snowbarger (OK); Elizabeth Kelleher Dwyer represented by Jack Broccoli (RI); Larry D. Deiter represented by Johanna Nickelson (SD); Doug Slape represented by Shawn Frederick (TX); Jonathan T. Pike represented by Malis Rasmussen (UT); Scott A. White represented by David Smith and Doug Stolte (VA); Mark Afile represented by Amy Malm (WI); and Jeff Rude represented by Linda Johnson (WY).

1. Adopted its Nov. 17, 2020, Minutes

Ms. Malm made a motion, seconded by Mr. Kaumann, to adopt the Task Force's Nov. 17, 2020, minutes (*see NAIC Proceedings – Fall 2020, Examination Oversight (E) Task Force*). The motion passed unanimously.

2. Adopted the Reports of its Working Groups

a. Electronic Workpaper (E) Working Group

Ms. Bernard provided the report of the Electronic Workpaper (E) Working Group. She stated that the Working Group met March 15 and Jan. 27 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 discussions on evaluating replacement options for TeamMate AM, which will be reaching its end of life in 2023.

b. Financial Examiners Coordination (E) Working Group

Mr. Arfanis provided the report of the Financial Examiners Coordination (E) Working Group. He stated that the Working Group met March 18 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings, to receive reports on exam coordination efforts from selected states.

Ms. Bernard made a motion, seconded by Ms. Johnson, to adopt the reports of the Electronic Workpaper (E) Working Group and the Financial Examiners Coordination (E) Working Group.

Having no further business, the Examination Oversight (E) Task Force adjourned into regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings, to receive reports on exams open past 22 months.

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## NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

### *Virtual Meeting*

#### **FINANCIAL EXAMINERS HANDBOOK (E) TECHNICAL GROUP**

Wednesday, July 28, 2021

#### **Summary Report**

The Financial Examiners Handbook (E) Technical Group met July 28, 2021. During this meeting, the Technical Group:

1. Discussed and prioritized its 2021 projects, which include consideration of revisions to *Financial Condition Examiners Handbook* (Handbook) guidance in the following areas: 1) the reserves and claims handling examination repositories; 2) the capital and surplus examination repositories; and 3) Exhibit G – Consideration of Fraud. The Technical Group prioritized the repository-related projects for 2021 and will consider possible updates to Exhibit G – Consideration of Fraud in 2022.
2. Received an update on related working group activity from NAIC staff regarding projects and activities currently in process by other NAIC working groups that will affect Handbook guidance. Projects include the following:
  - A. Updates to salary range guidelines and per diem rates, and updates to incorporate guidance for evaluating the appropriateness of market-based expense allocations being led by the Risk-Focused Surveillance (E) Working Group.
  - B. Updates to coordination-related guidance being led by Financial Examiners Coordination (E) Working Group.
  - C. Updates to incorporate elements from the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) into the examination process being led by the Group Solvency Issues (E) Working Group.
  - D. 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 the 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 being led by the Information Technology (IT) Examination (E) Working Group.

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Draft: 5/11/21

Information Technology (IT) Examination (E) Working Group  
Virtual Meeting  
April 19, 2021

The IT Examination (E) Working Group of the Examination Oversight (E) Task Force met April 19, 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 Dave Jensen 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. Vang stated that the request from the Receivership Financial Analysis (E) Working Group falls outside the normal scope of what is typically included in Exhibit C in the *Financial Condition Examiners Handbook* (Handbook). He said Exhibit C procedures are designed to monitor controls related to insurer solvency, while the data transfer standards recommended in the referral are mainly applicable to insurers that are troubled or potentially troubled. Mr. Vang said the IT Examination (E) Working Group could possibly consider some more creative solutions to this referral outside of an Exhibit C procedure. Mr. Vang asked the Working Group for thoughts on potential responses to this referral outside of the addition of Exhibit C procedures.

Ms. Amann concurred that an Exhibit C procedure may not be the best or only solution. She continued that she believes the Receivership Financial Analysis (E) Working Group is looking for a definitive or measurable statement on what should be done regarding data transfer formats and that the Working Group should keep this goal in mind when determining a solution.

Ms. Fox ask how expensive or burdensome it would be for companies to convert their data to Uniform Data Standards (UDS) as mentioned in the referral, because the companies that this mainly applies to are also the companies that are probably struggling the most.

Jacob Steilen (NAIC) stated that it would depend on the pervasiveness of legacy or outdated systems at the company, but specific cost implications are not known. He further stated that it would probably be in the company's best interest to move from a legacy system to a UDS system because the knowledge pool of people who know how to use that system is larger.

Bruce Jenson (NAIC) stated that the transfer of data from insurers to receivers and/or guaranty funds has become an increasingly significant issue in receiverships. He continued that the Receivership Financial Analysis (E) Working Group is flexible in what sort of solution is offered, but since the IT examination is a regulator's primary opportunity to look at an insurer's IT systems, a review of an insurer's data format would be an acceptable procedure as part of this process.

Mr. Ehlers moved the discussion to the second referral regarding cyber vulnerabilities and asked the IT Examination (E) Working Group to offer thoughts on the referral and how it should be addressed.

Ms. Dobbs pointed out that the referral mentioned that procedures should be flexible enough to be incorporated into the analysis process for addressing cybersecurity risks. Ms. Dobbs said the analysts on her team are not sure how to address these cybersecurity risks, so additional procedures would be beneficial.

Mr. Vang agreed. He said that unlike other parts of the analysis process, there is no metric for objectively gauging the cybersecurity risk at a company. As a result, there cannot be a trigger mechanism implemented like other risks where there are

Mr. Steilen proposed that an informal drafting group be formed to consider an appropriate response to the referrals. Given the significance and scope of work related to the referral from the Chief Financial Regulator Forum, the Working Group determined that it would prioritize its response to that referral before addressing the Receivership Financial Analysis (E) Working Group referral. Ms. Fox requested that the drafting group also consider training opportunities related to these referrals. The group agreed. Angela Gleason (American Property Casualty Insurance Association—APCIA) asked if comments made by interested parties could be considered by the drafting group.

Mr. Steilen exposed the two referrals for a 30-day public comment period ending May 20. Any comments for the drafting group to consider should be received within that time frame.

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

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