

Draft 11/20/2019

*Virtual Meeting
(in lieu of meeting at 2020 Fall National Meeting)*

EXAMINATION OVERSIGHT (E) TASK FORCE

Tuesday, November 17, 2020

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 a.m. – 9:00 a.m. PT

ROLL CALL

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

NAIC Support Staff: Bailey Henning

AGENDA

1. Consider Adoption of its Sept. 10 E-Vote Minutes—*Dwight Radel (OH)* Attachment One
2. Consider Adoption of its Working Group Reports—*Dwight Radel (OH)* Attachment Two
 - Electronic Workpaper (E) Working Group—*Susan Bernard (CA)*
 - Financial Analysis Solvency Tools (E) Working Group—*Judy Weaver (MI)*
 - Financial Examiners Coordination (E) Working Group—*Bill Arfanis (CT)*
 - Financial Examiners Handbook (E) Technical Group—*Susan Bernard (CA)*
 - 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: 10/4/20

Examination Oversight (E) Task Force
E-Vote
September 10, 2020

The Examination Oversight (E) Task Force conducted an e-vote that concluded Sept. 10, 2020. The following Task Force members participated: Andrew N. Mais, Vice Chair, represented by William Arfanis (CT); Lori K. Wing-Heier (AK); Alan McClain, represented by Mel Anderson (AR); Ricardo Lara represented by Susan Bernard (CA); Michael Conway represented by Rolf Kaumann (CO); Karima M. Woods represented by N. Kevin Brown (DC); Trinidad Navarro represented by Rylynn Brown (DE); Doug Ommen represented by Danial Mathis (IA); Stephen W. Robertson represented by Roy Eft (IN); Vicki Schmidt represented by Joe McGarry (KS); Sharon P. Clark represented by Jeff Gaither (KY); James J. Donelon represented by Stewart Guerin (LA); Anita G. Fox represented by Judy Weaver (MI); Chlora Lindley-Myers (MO); Jon Godfread represented by Matt Fischer (ND); Bruce R. Ramge (NE); Chris Nicolopoulos represented by Doug Bartlett (NH); Glen Mulready; Kent Sullivan represented by Shawn Frederick (TX); Mike Kreidler represented by Melanie Anderson (WA); Mark Afable represented by Amy Malm (WI); and Jeff Rude (WY).

1. Adopted its Dec. 8, 2019 Meeting Minutes

The Task Force conducted an e-vote to consider adoption of its December 8, 2019 meeting minutes. The motion passed unanimously.

2. Adopted its 2021 Proposed Charges

The Task Force conducted an e-vote to consider adoption of its 2021 proposed charges (*see NAIC Proceedings – Fall 2020, Financial Condition (E) Committee, Attachment One-A*). The only update was to remove the following charge from the Information Technology (IT) Examination (E) Working Group, as the group is expected to complete related work during 2020:

- Coordinate with the Market Conduct Examination Standards (D) Working Group to assist in the development of regulatory oversight policy with respect to cybersecurity examination issues, as requested by the Innovation and Technology (EX) Task Force.

The motion passed unanimously.

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

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Draft: 11/10/20

Financial Analysis Solvency Tools (E) Working Group
Virtual Meeting
November 4, 2020

The Financial Analysis Solvency Tools (E) Working Group of the Examination Oversight (E) Task Force met Nov. 4, 2020. 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); Lynn Beckner (MD); Debbie Doggett (MO); John Sirovetz (NJ); Victor Agbu (NY); Dwight Radel (OH); Kimberly Rankin (PA); Jack Broccoli (RI); and Amy Garcia (TX).

1. Adopted Revisions to the 2020/2021 Edition of the *Financial Analysis Handbook*

a. General Revisions

Rodney Good (NAIC) summarized the amendments to the exposure draft revisions related to special analysis procedures for insurers filing on a U.S. generally accepted accounting principles (GAAP) basis (Attachment x-A). He said in collaboration with the Risk Retention Group (E) Task Force leadership, the amended changes were to move the Risk Retention Group (RRG) management assessment procedures to the current period analysis of the annual risk assessment worksheet. He also said updates were made to Chapter I.E of the *Financial Analysis Handbook* to remove outdated guidance related to RRG risk-based capital (RBC) requirements and insurance company statutes.

Jane Koenigsman (NAIC) said a comment letter was received from America's Health Insurance Plans (AHIP) on the proposed revisions to the draft long-term care insurance (LTCI) guidance (Attachment x-B). She said NAIC staff and the original drafting regulator concurred with most of the revisions suggested by AHIP, but they recommended a few modifications, including: 1) inserting a footnote referencing the *Life and Health Reinsurance Agreements Model Regulation* (#791) with respect to risk transfer requirements within life and health reinsurance agreements in the overview section; 2) rewording the sentence regarding observability and credibility in section two; and 3) inserting a sentence and rewording AHIP's recommended paragraph in Section 5. NAIC staff also recommended inserting references to *Accounting Practices and Procedures Manual* (AP&P Manual) Appendix A in Section 3 consistent with revisions to similar guidance in the *Financial Condition Examiners Handbook*. Ray Nelson (AHIP) agreed with NAIC staff's revisions. The Working Group agreed with the recommendations (Attachment x-C).

Mr. Regner made a motion, seconded by Ms. Travis, to adopt the *Financial Analysis Handbook* revisions with the additional agreed upon edits. The motion passed unanimously.

b. Actuary Qualifications

Ms. Weaver said a referral was received from the Actuarial Opinion (C) Working Group to update the definitions within the property and casualty actuarial opinion guidance and procedures of the *Financial Analysis Handbook*. She said because these updates were already exposed in public forum, it did not need to be exposed again.

Ms. Gosselin made a motion, seconded by Mr. Radel, to adopt the proposed *Financial Analysis Handbook* revisions (Attachment x-D). The motion passed unanimously.

c. ORSA

Bruce Jenson (NAIC) said the Risk-Focused Surveillance (E) Working Group and the Own Risk and Solvency Assessment (ORSA) Implementation (E) Subgroup jointly drafted revisions to guidance and review templates for financial analysis and examination of ORSA reports. He said the revisions were exposed for public comment by the Risk-Focused Surveillance (E) Working Group and the ORSA Implementation (E) Subgroup. Members, interested state insurance regulators, and interested parties of the Financial Analysis Solvency Tools (E) Working Group were included in the exposure process. Comments were addressed, and the revisions were referred to the Financial Analysis Solvency Tools (E) Working Group. The guidance and review template are intended to be consistent with guidance proposed for the *Financial Condition Examination Handbook*; therefore, it is recommended that the Financial Analysis Solvency Tools (E) Working Group not re-expose or make further changes.

Ms. Belfi made a motion, seconded by Ms. Lo, to adopt the proposed *Financial Analysis Handbook* revisions (Attachment x-E). The motion passed unanimously.

2. Adopted its Interim Minutes

Ms. Weaver said the Working Group conducted an e-vote on Aug. 26 to adopt revisions to the 2020 *Insurance Regulatory Information System (IRIS) Ratios Manual*. She said the Working Group met Sept. 23 to expose revisions to the *Financial Analysis Handbook*. Mr. Radel made a motion, seconded by Mr. Sirovets, to adopt the Working Group's Sept. 23 and Aug. 26 minutes (Attachments x-F and x-G). The motion passed unanimously.

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

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Draft: 11/12/20

Financial Examiners Handbook (E) Technical Group
Webex Meeting
November 12, 2020

The Financial Examiners Handbook (E) Technical Group of the Examination Oversight (E) Task Force met via Webex Nov. 12, 2020. The following Technical Group members participated: Susan Bernard, Chair (CA); John Litweiler, Vice Chair (WI); William Arfanis (CT); Cindy Andersen (IL); Shannon Schmoeger (MO); Justin Schrader (NE); Colin Wilkins (NH); John Sirovetz (NJ); Tracy Snow (OH); Eli Snowbarger (OK); Matt Milford (PA); John Jacobson (WA).

1. Adopted its Interim Minutes

Ms. Bernard said the Technical Group met Oct. 5 to expose revisions to the *Financial Condition Examiners Handbook* (Handbook). Mr. Litweiler made a motion, seconded by Mr. Sirovetz, to adopt the Technical Group's Oct. 5 minutes (Attachment x-A). The motion passed unanimously.

2. Adopted Handbook Guidance

a. Reinsurance and Reserves Revisions

Ms. Bernard said that comment letters were received from the Pennsylvania Insurance Department, America's Health Insurance Plans—AHIP, American Property and Casualty Insurance Association—APCIA, and United Healthcare—UHC (Attachment x-D) for the reinsurance-related revisions (Attachment x-B) and the reserves-related revisions (Attachment x-C). She said that NAIC staff concurred with most of the revisions suggested in the comment letters and edited the exposure documents accordingly.

Reinsurance-related revisions affected Section I-V of the Handbook. Reserves-related revisions affected the following sections of the Handbook: 1) Section I-VI – Life Insurance Reserves Review, 2) Section III – Examination Repositories (Reserves/Claims Handling – Health, Reserves/Claims Handling – Life, Reserves/Claims Handling – P&C, and Underwriting), 3) Section IV – Examination Exhibits (Exhibit M – Understanding the Corporate Governance Function and Exhibit Y – Examination Interviews).

Ms. Bernard said the exposed revisions related to long-term care insurance were substantially similar to the long-term care insurance guidance adopted by the Financial Analysis Solvency Tools (E) Working Group (FASTWG) on its Nov. 4, 2020 WebEx meeting. AHIP submitted a comment letter to both FASTWG and FEHTG with the same recommendations. Therefore, to ensure consistency between the *Financial Condition Examiners Handbook* and the *Financial Analysis Handbook*, NAIC staff incorporated AHIP's suggested revisions in accordance with what was adopted by the FASTWG.

Mr. Milford (PA), Ray Nelson (AHIP), Stephen Broadie (APCIA) and Jeff Martin (UHC) agreed with NAIC staff revisions. The Technical Group agreed with the recommendations.

Mr. Litweiler made a motion, seconded by Mr. Milford, to adopt the *Financial Condition Examiners Handbook* revisions as amended to include the recommendations from the comment letters. The motion passed unanimously.

b. ORSA Guidance

Bailey Henning (NAIC) said the Risk-Focused Surveillance (E) Working Group and the Own Risk and Solvency Assessment (ORSA) Implementation (E) Subgroup jointly drafted revisions to guidance and review templates for financial analysis and examination of ORSA reports. She said the revisions were exposed for public comment by the Risk-Focused Surveillance (E) Working Group and the ORSA Implementation (E) Subgroup. Members, interested state insurance regulators, and interested parties of the Financial Examiners Handbook (E) Technical Group were included in the exposure process. Comments were addressed, and the revisions were referred to the Financial Examiners Handbook (E) Technical Group. The guidance and review template are intended to be consistent with guidance proposed for the *Financial Analysis Handbook*; therefore, it is recommended that the Financial Examiners Handbook (E) Technical Group not re-expose or make further changes.

Mr. Schrader made a motion, seconded by Ms. Andersen, to adopt the *Financial Condition Examiners Handbook* revisions

(Attachment x-E). The motion passed unanimously.

3. Discussed Other Matters

Ms. Henning said that planned enhancements to the Financial Exam Electronic Tracking System (FEETS) are expected to be implemented during the fourth quarter. The planned enhancements include 1) adding a text box enabling examiners to provide an explanation in the event that a management letter is not issued for a particular exam and 2) incorporating functionality to the group exam call which would provide examiners the option to upload a management letter for a group exam.

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

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Draft: 11/10/20

Information Technology (IT) Examination (E) Working Group
Virtual Meeting
October 29, 2020

The IT Examination (E) Working Group of the Examination Oversight (E) Task Force met Oct. 29, 2020. 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); Shane Mead (KS); Dmitriy Valekha (MD); Kim Dobbs and Cynthia Amann (MO); Justin Schrader (NE), Eileen Fox (NY); Metty Nyangoro (OH), Eli Snowbarger (OK); Melissa Greiner (PA); and Dave Jensen (WI).

1. Adopted its Sept. 17 Minutes

The Working Group met September 17 and took the following action: 1) exposed a revision that adds cyber self-assessment tools to the list of items requested from the company in the IT Planning Questionnaire (ITPQ); and 2) exposed a new mapping of Exhibit C procedures to the Market Conduct Pre- and Post-breach checklists and a mapping of Section E and Section F of the *Insurance Data Security Model Law* (#668).

Mr. Vang made a motion, seconded by Mr. Mead, to adopt the Working Group's Sept. 17 minutes. The motion passed unanimously.

2. Adopted Revisions to the ITPQ Section of Exhibit C Within the Handbook

Mr. Ehlers explained that the revision to the ITPQ within the *Financial Condition Examiners Handbook* (Handbook) adds "cyber self-assessment tools" to the list of items requested at the beginning of an IT examination. Mr. Ehlers said there were no comments received during the 30-day public comment period and asked for any final discussion on the matter. There was no additional discussion.

Mr. Vang made a motion, seconded by Mr. Valekha, to adopt the revision to the ITPQ section of Exhibit C (Attachment X-A). The motion passed unanimously.

3. Approved Updates to the Exhibit C Mapping Document

No comments were received on the updates to the Exhibit C mapping document during the 30-day public comment period. Mr. Ehlers asked for any final discussion. There was no additional discussion.

Mr. Vang made a motion, seconded by Mr. Roulier, to approve the Exhibit C mapping document to be made available for download on the group's NAIC web page. The motion passed unanimously.

4. Discussed the 2021 Project List

Jacob Steilen (NAIC) asked if there were any items that should be added to the Working Group's list of projects to consider in 2021. Mr. Jensen asked if the Working Group could consider guidance for third-party and vendor management. Bruce Jenson (NAIC) said that due to COVID-19 and an increased remote work environment, the Working Group should consider procedures or best practices for IT reviews that take place in a remote setting verses on-site at the insurer. Ms. Amann said that the Working Group may be relied upon in the future to conduct procedures to test the validity of artificial intelligence (AI) underwriting models and algorithms. She said that there are other working groups looking at this issue, but it could default to the IT Examination (E) Working Group to look at during an IT examination.

The Working Group agreed to have NAIC staff add these items to its project list to be considered and prioritized at the beginning of 2021.

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

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