

Draft date: 10/30/23

*Virtual Meeting*

**RISK-FOCUSED SURVEILLANCE (E) WORKING GROUP**

Monday, November 6, 2023

2:00 p.m. – 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

**ROLL CALL**

Amy Malm, Chair	Wisconsin	Pat Gosselin	New Hampshire
Lindsay Crawford, Vice Chair	Nebraska	John Sirovetz/Paul Lupo	New Jersey
Sheila Travis/Blase Abreo	Alabama	Mark McLeod	New York
Laura Clements/Michelle Lo	California	Jackie Obusek/Monique Smith	North Carolina
Jack Broccoli/William Arfanis	Connecticut	Dwight Radel/Tracy Snow	Ohio
Carolyn Morgan/ Virginia Christy	Florida	Eli Snowbarger	Oklahoma
Cindy Andersen	Illinois	Ryan Keeling	Oregon
Roy Eft	Indiana	Diana Sherman	Pennsylvania
Daniel Mathis	Iowa	John Tudino/Ted Hurley	Rhode Island
Stewart Guerin	Louisiana	Johanna Nickelson	South Dakota
Vanessa Sullivan	Maine	Amy Garcia	Texas
Dmitriy Valekha	Maryland	Jake Garn	Utah
Judy Weaver	Michigan	Dan Petterson	Vermont
Debbie Doggett/ Shannon Schmoeger	Missouri	David Smith/Greg Chew	Virginia
		Tarik Subbagh/Steve Drutz	Washington

NAIC Support Staff: Bruce Jenson/Jane Koenigsman

**AGENDA**

1. Discuss Results of the 2023 Analyst/Examiner Salary Survey and Consider Adoption of Updated Salary Guidance—*Amy Malm (WI)* Attachment A
2. Receive an Update on Status of the IMA Drafting Group—*Lindsay Crawford (NE)*
3. Discuss Any Other Matters Brought Before the Working Group—*Amy Malm (WI)*
4. Adjournment

**To:** Risk-Focused Surveillance (E) Working Group

**From:** NAIC Staff

**Date:** October 30, 2023

**RE:** Recommended Increases to Financial Analyst and Examiner Salary Range Guidelines and Financial Examiner Per Diem Rates

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The Risk-Focused Surveillance (E) Working Group is charged with maintaining and updating salary range guidelines for financial analysts and financial examiners published in the *Financial Analysis Handbook* and *Financial Condition Examiners Handbook*, respectively. The Working Group expects to consider updates to the salary ranges every two years, with a salary survey conducted during 2023, and resulting recommendations to be considered for inclusion in the 2024 Handbooks. Additionally, as several states currently base examiner compensation on the salary and per diem guidelines contained in Section 1 – II (D) of the *Financial Condition Examiners Handbook* the Working Group will continue to ensure those rates are updated. The Working Group expects to update per diem rates annually. This memo outlines the recommended increases to the salary ranges and per diem rates, along with the methodology utilized to reach these recommendations.

### **Salary Range Guidelines**

In 2019 the Working Group adopted salary range guidelines that were developed in recognition of the importance of compensation, particularly as it relates to the ability of an Insurance Department to attract and retain well-qualified employees. These guidelines, which were first published in the 2020 editions of the *Financial Analysis Handbook* and *Financial Condition Examiners Handbook*, were based on an in-depth salary survey that collected and analyzed salary data for state insurance regulators, banking regulators, and other related position in the financial services sector (e.g., internal and external auditors, etc.). A second salary survey was conducted in 2023.

Cost of living at or near each location was determined from the Council for Community and Economic Research (C2ER) Cost of Living Index for purposes of standardizing and aggregating the data for analysis. In the eight cases where data were not available at the Department's location, nearby locales were used and averaged together. All salary data were then adjusted using these cost of living values to a national average. Locality-adjusted salary data were weighted by the number of reported positions at each Department.

For comparative purposes in determining suggested new compensation ranges, data from other sources was also collected. Internal audit and financial analyst compensation were collected from Robert Half in the same locales as each Department that responded to the survey. These data were adjusted for locality using the same process outlined above. Public accounting salaries of equivalent responsibilities were also obtained from Robert Half data, already as a national average. Additionally, salary information was obtained from three separate federal banking regulator organizations: the FDIC, the OCC, and the Federal Reserve.

This data was then compared to determine the suggested new compensation range guidance in the Handbook. Initial suggested values for the ranges were considered based on the weighted average and the weighted standard deviation from the survey data, and then adjusted based on reported compensation for the comparable positions. As many of the ranges lag behind their comparable industry and banking regulation values and states continue to report challenges in hiring and retaining qualified staff, ranges were moderately raised across the board. Please note that as the ranges were last adjusted in 2021 for publication in 2022 NAIC Handbooks, the recommended increases to the ranges reflect a two-year adjustment period.

Positions	Current Range		Proposed Range		Recommended Increase	
	Low	High	Low	High	Low	High
Financial Analyst / Examiner	\$ 47,380	\$ 79,500	\$ 52,000	\$ 85,000	9.8%	6.9%
Sr Financial Analyst / Examiner	\$ 58,710	\$ 95,400	\$ 64,500	\$ 105,000	9.9%	10.1%
EIC / Supervisor / Asst Chief	\$ 82,400	\$ 137,800	\$ 87,000	\$ 150,000	5.6%	8.9%
Chief Analyst / Examiner	\$ 94,760	\$ 159,000	\$ 100,000	\$ 170,000	5.5%	6.9%

### Daily Rate Guidelines

Adjustments to the per diem guidelines are largely based upon changes in the Consumer Price Index (CPI). The Consumer Price Index, as defined by the U.S. Bureau of Labor Statistics (BLS), is a measure of the average change in prices of goods and services purchased by households over time. The CPI is based on prices of food, clothing, shelter, fuels, transportation fares, charges for doctors' and dentists' services, drugs, and other goods and services purchased for day-to-day living. In 2008, regulators determined that because the CPI takes into consideration most costs incurred by the average household, it is reasonable that an increase in salary should be within the same parameters as the increase in the cost of living.

The following data table shows the average annual salary increases adopted in the previous four years as compared to the CPI, as well as the proposed increase for the following year. The information "as published by BLS" compares the CPI as of July of each year, consistent with the analysis performed in past years. As shown below, the rates suggested by the NAIC have been consistently comparable to those published by the BLS, regardless of method used.

	2019	2020	2021	2022	2023
As Published in the next <i>Financial Condition Examiners Handbook</i>	2.00%	1.00%	4.50%	8.50%	*3.20%
As Published by BLS	1.53%	0.99%	5.37%	8.52%	3.18%
Difference	0.47%	0.01%	-0.87%	-0.02%	0.02%

\*Suggested Change

Based upon the July 2023 CPI data, the estimated annual change in CPI is approximately 3.2%. As such, if the Committee intends to base salary increase on changes in the CPI, we recommend a 3.2% increase in all position classifications as shown below.

<b>Classification</b>	<b>2023 Daily Rates</b>	<b>Suggested Increase</b>	<b>2024 Daily Rates</b>
Insurance Company Examiner, AFE*	\$384	3.20%	\$396
Automated Examination Specialist, AFE (no AES**)	\$471	3.20%	\$486
Senior Insurance Examiner, CFE***	\$471	3.20%	\$486
Automated Examination Specialist, AES	\$529	3.20%	\$546
Automated Examination Specialist, CFE (no AES)	\$529	3.20%	\$546
Insurance Examiner In-Charge, CFE	\$567	3.20%	\$585
Supervising or Administrative Examiner	\$601	3.20%	\$620

\*Accredited Financial Examiner

\*\*Automated Examination Specialist

\*\*\* Certified Financial Examiner