



**NATIONAL ASSOCIATION OF  
INSURANCE COMMISSIONERS**

TO: Justin Schrader (NE), Chair of the Group Solvency Issues (E) Working Group  
 FROM: ComFrame Financial Analysis Drafting Group  
 DATE: May 7, 2021  
 RE: Proposed Financial Analysis Handbook Additions

The ComFrame Financial Analysis Drafting Group was formed in Sept. 2020 to develop proposed additions to the NAIC’s *Financial Analysis Handbook* (FAH) that incorporate key elements of the IAIS’ *Common Framework for the Supervision of Internationally Active Insurance Groups* (ComFrame) deemed appropriate for the U.S. system of solvency regulation. The Drafting Group consists of financial regulators from Illinois, Michigan, Missouri, and Nebraska that are actively involved in group supervision efforts. After more than six months of work and eight conference calls, the Drafting Group has completed an initial draft of proposed FAH additions for the Working Group’s consideration.

The Drafting Group recommends that the Working Group expose the proposed additions for a public comment period and encourage the Financial Analysis Solvency Tools (E) Working Group to monitor and participate in the comment period to ensure that all stakeholders are notified of the proposed revisions. In addition, after any comments received are appropriately addressed, the Drafting Group recommends that the proposed revisions be referred over to the Financial Analysis Solvency Tools (E) Working Group for consideration of adoption into the Annual 2021 FAH.

A summary of the proposed additions, including references to their associated ComFrame elements, is provided below:

ICP	Topic(s)	Proposed Addition(s)
ICP 5	Suitability of key individuals at IAIG	FAH Section VI.D – Corporate Governance Disclosure Procedures <ul style="list-style-type: none"> <li>Consideration of obtaining governance information at Head of IAIG level (i.e., CGAD, biographical affidavits) and conducting review and assessment procedures at that level</li> </ul>
ICP 7	Corporate governance framework at IAIG	FAH Section VI.D – Corporate Governance Disclosure Procedures <ul style="list-style-type: none"> <li>Consideration of obtaining governance information at Head of IAIG level (i.e., CGAD, biographical affidavits) and conducting review and assessment procedures at that level</li> </ul>
ICP 8	Risk management system at IAIG	FAH Sections VI.E – ERM Process Risks Guidance and VI.F – ORSA Review Template <ul style="list-style-type: none"> <li>Consideration of obtaining ORSA reports at Head of IAIG level and conducting review and assessment procedures at that level (new Appendix C)</li> </ul>
	Group-wide internal control system at IAIG	FAH Section VI.C – Insurance Holding Company System Analysis Guidance <ul style="list-style-type: none"> <li>IAIG Procedure #5 places primary reliance on exam function for assessment, but includes analysis procedures to follow-up on results and address any significant changes since last exam</li> </ul>
	Group-wide compliance function at IAIG	FAH Section VI.C – Insurance Holding Company System Analysis Guidance <ul style="list-style-type: none"> <li>IAIG Procedure #6 places primary reliance on exam function for assessment, but includes analysis procedures to follow-up on results and address any significant changes since last exam</li> </ul>

ICP	Topic(s)	Proposed Addition(s)
	<p>Group-wide actuarial function at IAIG</p> <p>Group-wide internal audit function at IAIG</p>	<p>FAH Section VI.C – Insurance Holding Company System Analysis Guidance</p> <ul style="list-style-type: none"> <li>IAIG Procedure #7 places primary reliance on exam function for assessment, but includes analysis procedures to follow-up on results and address any significant changes since last exam</li> </ul> <p>FAH Section VI.C – Insurance Holding Company System Analysis Guidance</p> <ul style="list-style-type: none"> <li>IAIG Procedure #8 places primary reliance on exam function for assessment, but includes analysis procedures to follow-up on results and address any significant changes since last exam</li> </ul>
ICP 9	<p>Group-wide risk assessment</p> <p>Group-wide inspections (examinations)</p>	<p>FAH Section VI.C – Insurance Holding Company System Analysis Guidance</p> <ul style="list-style-type: none"> <li>IAIG Procedures #1 – 3 added to provide general considerations unique to IAIG risk assessment, as a supplement to existing group analysis procedures</li> </ul> <p>FAH Sections VI.A, VI.B, VI.I and VI.J</p> <ul style="list-style-type: none"> <li>Narrative guidance and procedures reference the fact that some group-wide assessments are more appropriately conducted through coordinated onsite examinations, when relevant</li> </ul>
ICP 10	Supervisory measures	<p>FAH Section VI.C – Insurance Holding Company System Analysis Guidance</p> <ul style="list-style-type: none"> <li>IAIG Procedure #4 added to provide considerations relevant to any supervisory measures or corrective action that may be necessary to address group-wide solvency concerns</li> </ul> <p>FAH Section VI.B – Roles and Responsibilities of Group-Wide Supervisor</p> <ul style="list-style-type: none"> <li>Narrative guidance added to clarify the role of the group-wide supervisor in taking any necessary corrective action</li> </ul>
ICP 12	Recovery and resolution	<p>FAH Section VI.J – Supervisory Colleges Guidance</p> <ul style="list-style-type: none"> <li>Additional guidance on Crisis Management Groups and their role in recovery/resolution</li> </ul>
ICP 15	<p>Investment selection</p> <p>Cross-border transfer of assets</p>	<p>FAH Section VI.C – Insurance Holding Company System Analysis Guidance</p> <ul style="list-style-type: none"> <li>IAIG Procedure #9 places primary reliance on exam function for assessment, but includes analysis procedures to follow-up on results and address any significant changes since last exam</li> </ul> <p>FAH Section VI.C – Insurance Holding Company System Analysis Guidance</p> <ul style="list-style-type: none"> <li>IAIG Procedures #3 added to provide general considerations related to cross-border issues, as a supplement to existing group analysis procedures</li> </ul>
ICP 16	<p>Group-wide ERM framework</p> <p>Group-wide investment policies and practices</p> <p>Group-wide claims management policies and practices</p>	<p>FAH Sections VI.E – ERM Process Risks Guidance and VI.F – ORSA Review Template</p> <ul style="list-style-type: none"> <li>Consideration of obtaining ORSA reports at Head of IAIG level and conducting review and assessment procedures at that level (new Appendix C)</li> </ul> <p>FAH Section VI.C – Insurance Holding Company System Analysis Guidance</p> <ul style="list-style-type: none"> <li>IAIG Procedure #9 places primary reliance on exam function for assessment, but includes analysis procedures to follow-up on results and address any significant changes since last exam</li> </ul> <p>FAH Section VI.C – Insurance Holding Company System Analysis Guidance</p>

ICP	Topic(s)	Proposed Addition(s)
	<p>Group-wide reinsurance policies and practices</p> <p>Group-wide actuarial function</p> <p>Group-wide liquidity exposures</p>	<ul style="list-style-type: none"> <li>• IAIG Procedure #10 places primary reliance on exam function for assessment, but includes analysis procedures to follow-up on results and address any significant changes since last exam</li> </ul> <p>FAH Section VI.C – Insurance Holding Company System Analysis Guidance</p> <ul style="list-style-type: none"> <li>• IAIG Procedure #11 places primary reliance on exam function for assessment, but includes analysis procedures to follow-up on results and address any significant changes since last exam</li> </ul> <p>FAH Section VI.C – Insurance Holding Company System Analysis Guidance</p> <ul style="list-style-type: none"> <li>• IAIG Procedure #7 places primary reliance on exam function for assessment, but includes analysis procedures to follow-up on results and address any significant changes since last exam</li> </ul> <p>FAH Section VI.F – ORSA Review Template</p> <ul style="list-style-type: none"> <li>• Review and assessment of liquidity information in ORSA (see Procedure #6 in Appendix C)</li> </ul>
ICP 23	<p>IAIG determination</p> <p>Head of IAIG determination</p>	<p>FAH Section VI.B – Roles and Responsibilities of Group-Wide Supervisor</p> <ul style="list-style-type: none"> <li>• Added guidance from Model Act on IAIG determination into section, as well as some supplemental guidance from ComFrame</li> </ul> <p>FAH Section VI.B – Roles and Responsibilities of Group-Wide Supervisor</p> <ul style="list-style-type: none"> <li>• Added guidance from ComFrame on Head of IAIG determination</li> </ul>
ICP 25	Supervisory college expectations for IAIGs	<p>FAH Section VI.J – Supervisory Colleges Guidance</p> <ul style="list-style-type: none"> <li>• Added guidance from ComFrame on supervisory college expectations for IAIGs</li> </ul>