



MEMORANDUM

TO: Commissioner Todd Kiser, Chair, Financial Regulation Standards and Accreditation (E) Committee

FROM: Justin Schrader, Chair, Risk-Focused Surveillance (E) Working Group

DATE: April 6, 2019

RE: Proposed Revisions to Accreditation Program Manual to Reference Salary Ranges

In 2017, the Risk-Focused Surveillance Working Group began work on a project to study regulator resources and review salary recommendations for financial regulators. After reviewing job requirements for financial regulators conducting risk-focused surveillance, completing a detailed salary survey of 40+ states and comparing the results against other similar regulatory and industry positions, the Working Group developed new salary range recommendations and supporting guidance for financial analyst and examiner compensation.

On Feb. 15, 2019, updated salary ranges and supporting guidance were referred to the Financial Analysis Solvency Tools (E) Working Group and the Financial Examiners Handbook (E) Technical Group for consideration of adoption into the NAIC's *Financial Analysis Handbook* and *Financial Condition Examiners Handbook* respectively. It is expected that the updated salary ranges and supporting guidance will be included in the 2020 publication of these handbooks.

In addition to developing salary range recommendations, the Working Group was asked to consider how its work should impact the NAIC accreditation standards and guidelines, as outlined in the following charge:

Consider recommendations to the Financial Regulation Standards and Accreditation (F) Committee for the purpose of evaluating the suitability of insurance department staffing in relation to the necessary skillsets.

In fulfillment of this charge, the Working Group is referring proposed revisions to Part C: Organizational and Personnel Practices, as well as the Self-Evaluation Guide/Interim Annual Review Form of the NAIC's *Accreditation Program Manual* to the Committee for consideration of adoption. We recognize that Part C is reviewed by the accreditation team members but is not included in the Recommendation A or B and therefore does not impact a state's accredited status. Because of this assessment structure and because Part C already includes questions related to competitive pay structures, we feel this is a logical place to reference the updated salary ranges being incorporated into NAIC handbooks. In addition, we believe the proposed questions in the Self-Evaluation Guide/Interim Annual Review Form related to whether the state is paying below the recommended salary ranges would provide beneficial information to the accreditation team and the Committee. Therefore, we request that you consider adoption of the proposed additions/revisions to the Accreditation Program Manual, as shown in tracked-change format in **Attachment A**.

If there are any questions regarding the proposed revisions, please contact me or NAIC staff (Bruce Jenson at bjenson@naic.org) for clarification. Thank you for your consideration of this referral.

Attachment A – Proposed Revisions to the Accreditation Program Manual

Part C: Organizational and Personnel Practices

a. Professional Development

Standard: The department should recognize and provide necessary training needs for staff involved with financial surveillance and regulation. The department should also have a policy that encourages professional development through job-related college courses, professional programs and/or other training programs.

Results-Oriented Guidelines:

1. The department should have the ability to provide adequate training for staff involved in financial surveillance and regulation commensurate with the needs of the department. When assessing compliance with this guideline, consideration should be given to the following:
 - The department’s recognition of when financial surveillance personnel may require additional training.
 - Whether appropriate training is provided.
 - The effectiveness of training programs, including how the department assesses effectiveness.
 - The use of on-the-job training.
 - Sufficiency of budgeted hours and finances to support training needs of the department.

Process-Oriented Guidelines:

1. The department should have a policy that focuses on training and developing staff involved with financial surveillance and regulation—in particular, staff that is new to financial surveillance and regulation.
2. The department should have a continuing education policy that encourages professional development in place for staff involved with financial surveillance and regulation.

b. Minimum Educational and Experience Requirements

Standard: The department should establish minimum educational and experience requirements for all professional employees and contractual staff positions in the financial regulation and surveillance area, which are commensurate with the duties and responsibilities of the position.

Results-Oriented Guidelines:

1. Financial surveillance staff should have the ability to perform the necessary duties and responsibilities, as well as meet the minimum educational and experience requirements commensurate with each position’s role in financial surveillance.

Process-Oriented Guidelines:

1. The department should establish minimum educational and experience requirements for staff positions in the financial surveillance and regulation area.
2. The department should maintain current and relevant job descriptions for staff positions in the financial surveillance and regulation area.

c. Retention of Personnel

Standard: The department should have the ability to attract and retain qualified personnel for those positions involved with financial surveillance and regulation.

Results-Oriented Guidelines:

1. The department should demonstrate the ability to attract and retain qualified personnel for those positions involved with financial surveillance and regulation. When assessing compliance with this guideline, consideration should be given to the following:
 - The department's hiring policy.
 - The overall retention of personnel in key financial surveillance regulation areas.
 - The performance appraisal, the review process and/or coaching programs.
 - The ability to provide promotional opportunities and/or career paths.
 - The ability to provide a competitive pay structure commensurate with the job duties and responsibilities, including whether average salaries fall below the ranges defined in the Examiners Handbook and Analysis Handbook.

Process-Oriented Guidelines:

1. The department should have a hiring policy that allows for personnel needs to be addressed.
2. The department should compare employee salaries to the suggested salary ranges defined in the Examiners Handbook and Analysis Handbook and identify how it determines that pay structures are or are not competitive for positions involved with financial surveillance and regulation.
3. The department should have a performance appraisal and/or coaching program for staff.

d. Use of Contract Personnel

Standard: A department that utilizes contract personnel to assist in financial surveillance and regulation should ensure that those hired in the capacity of a contractor are subject to standards that are comparable to or exceed those standards applicable to employees of the state.

Results-Oriented Guidelines:

1. The department should assess contractors used in performing financial surveillance and regulation activities to ensure the work being performed is commensurate with the department's processes and procedures.

Process-Oriented Guidelines:

1. The department should have a process in place to consider qualifications, training and professional development of contractors performing financial surveillance and regulation activities.
2. The department should have the authority to terminate a contract for services related to financial surveillance and regulation on the basis of poor performance.

Related Self-Evaluation Guide/Interim Annual Review Form

c) Retention of Personnel

The department should have the ability to attract and retain qualified personnel for those positions involved with financial surveillance and regulation.

	YES	NO
1. Is the department's pay structure for those positions involved with financial surveillance and regulation competitive to:		
▪ Attract qualified personnel?	_____	_____
▪ Retain qualified personnel?	_____	_____
2. <u>Do the salaries of applicable department personnel fall below the suggested salary ranges defined in the Examiners Handbook and Analysis Handbook, adjusted for market and cost of living variances?</u>		
▪ <u>Financial Analyst?</u>	_____	_____
▪ <u>Senior Financial Analyst?</u>	_____	_____
▪ <u>Supervisor/Assistant Chief Analyst?</u>	_____	_____
▪ <u>Chief Analyst?</u>	_____	_____
▪ <u>Financial Examiner?</u>	_____	_____
▪ <u>Senior Financial Examiner?</u>	_____	_____

▪ Examiner-In-Charge (EIC)/Supervisor/Assistant Chief Examiner?

▪ Chief Examiner?

32. In a separate attachment, identify how the department determines that pay structures are or are not competitive. Discuss the conclusion and any compensating factors or future plans in place if the salaries are deemed not competitive or fall below the range.

**If this is an interim annual review, only identify how the department determines that pay structures are or are not competitive if there have been substantial changes from the previous submission of this information, otherwise note "no changes".*

43. In a separate attachment, discuss the level of turnover that occurred during the past year and the reason for the turnover within the financial solvency monitoring staff, including the financial solvency senior management.

45. In a separate attachment, please discuss the department's hiring policy that allows for addressing personnel needs.

**If this is an interim annual review, only provide the department's hiring policy that allows for addressing personnel needs if there have been substantial changes from the previous submission of this information, otherwise note "no changes".*

65. Does the department have a performance appraisal and/or coaching program for financial solvency monitoring staff?

76. If the answer to #5 above is yes, please briefly describe the department's performance appraisal and/or coaching program for financial solvency monitoring staff.

**If this is an interim annual review, only provide the department's performance appraisal and/or coaching program for the financial solvency monitoring staff if there have been substantial changes from the previous submission of this information, otherwise note "no changes".*