**Special Note: The following procedures do not supersede state regulation but are merely additional guidance an analyst may consider useful.**

**The following provides examples of potential risk areas where the lead state or group-wide supervisor (for IAIGs) may want to perform certain limited examination procedures as part of the continual risk assessment process. However, analysts should be aware that in some years, it is highly possible that no risks or changes in risks rise to the level of requiring a specific targeted examination. In addition, certain risks and examination procedures may not be deemed urgent enough to warrant a targeted or limited-scope examination and could therefore be deferred until the next scheduled examination of the group.**

The general purpose of a targeted on-site examination is to focus resources on a particular risk. Such procedures would generally be driven by any change in risks or any weaknesses or concerns. Performing such procedures through an on-site inspection can provide assurances that cannot be provided through off-site monitoring. In some cases, such procedures will focus on collecting information that will provide assurances that the risks that have been portrayed by the group can be relied upon. On-site examinations can also be more effective in understanding the risks of a group that are not easily understood with a regulatory filing, be it through a physical inspection of the group’s process or through inspection of supporting documentation. The following provides examples of different risk areas where such assurances can be provided through tailored procedures. However, these are only examples and, again, what should be considered more than anything is the risk or changes in risk of the group and the assurances that can be provided through such an on-site inspection relative to such risks.

**Prospective Risks (See Exhibit V – Overarching Prospective Risk Assessment of the Financial Condition Examiners Handbook for a more detailed listing of examples.)**

1. New products, or recently developed products that have become more material or that create unique risks to the group. Consider reviewing the process to develop and price the product, as well as monitor its results compared to pricing.
2. New investment vehicle either recently acquired or that recently became more material to the portfolio. Consider reviewing the process by which the investment vehicle became available, the diligence performed to consider its risks, and the process to monitor its results before more monies are invested into the strategy.
3. Risk arising from the group’s governance (See Section VI.D. Corporate Governance Disclosures Procedures for a detail of such procedures) or risk management process (see Section VI.E. Enterprise Risk Management Process Risks Guidance for a detail of procedures to apply to groups submitting an Own Risk and Solvency Assessment (ORSA)).

**Information Obtained from Filings, etc.**

1. Information that supports representations regarding significant investors’ expectations.
2. Current and historical consolidating financial statements used to validate information obtained regarding non-insurers.
3. Internal management reports that provide product detail on operations that, when accumulated are supported in total by audited statements.
4. Supporting documentation of internal and external equity target levels, including information from rating agencies, banks or other lenders.
5. Copy of the most recent liquidity strategy and walkthrough of daily monitoring process.
6. Copy of the most recent investment strategy and walkthrough of recent acquisitions or sales made in connection with strategy.
7. Documentation supporting risk management strategy as presented to internal risk committee or board of directors.
8. Copy of group derivatives use plan and walkthrough of daily monitoring process.
9. Copy of debt covenants and internal quarterly calculations.
10. Copy and walkthrough of projected future capital management plans.
11. Copy of any due diligence work performed on potential acquisition and key metrics for the board’s consideration.

**IAIG Considerations (see additional discussion in FCEH Section …)**

1. Risks arising from the holding company’s status as an IAIG, including evaluations of the head of the IAIG’s corporate governance (See Section VI.D. Corporate Governance Disclosure Procedures), risk management (see Section VI.E. Enterprise Risk Management Process Risks Guidance) and/or internal control (see Section VI.C Insurance Holding Company System Analysis Guidance) frameworks.

**Summary and Conclusion**

* Develop and document an overall summary and conclusion regarding the targeted examination.
* Analysts should update the Insurance Holding Company System Analysis and Supervisory Plan in the Group Profile Summary.