

Effective communication between financial analysts and examiners is critical in ensuring a high level of ongoing solvency monitoring for each insurer. The IPS and SRM are key documents that each function uses to communicate the results of their work with other functions and states. Review and consideration of communication practices by peer review participants has led to the following sound practices being identified. Additional sound practices on creating and updating an IPS are presented separately on StateNet.

Analyst/Examiner Communication

- Ongoing communication is a key supplement to the IPS/SRM documents
 - Analysts and examiners should meet/communicate at the following times:
 - Start of the exam to ensure the examiner obtains a good understanding of the operations and risks of the company gained by the analyst
 - Utilization of Exhibit D – Planning Meeting with the Financial Analyst may assist in this process
 - End of phase 2 to ensure that analyst understands and agrees with the areas of focus for the examination
 - Utilization and review of Exhibit CC – Issue/Risk Tracking Template may assist in this process
 - Wrap up stage of the exam to ensure the analyst/examiner agree on the supervisory plan and that the analyst understands the results of the examination
 - As needed throughout the course of an examination to communicate the identification of significant issues
 - As significant issues arise in the course of ongoing analysis to determine whether a Limited Scope Exam or interim exam work should be considered

Summary Review Memorandum

- In preparing the SRM, examiners should ensure that the branded risk narrative, risk trend, and risk significance updates are provided to the analyst based on information gained during the exam
 - Most exams are expected to result in some new information that can be communicated to supplement the existing narrative discussion of branded risks in the IPS
 - See example documentation in Exhibit AA of the Examiners Handbook showing how the examiner can make various suggestions to the analyst based on the results of exam procedures
- Examiners should ensure that significant new risks identified during the exam, or suggested follow-up procedures on new or existing risks are communicated to the analyst for proper ongoing solvency monitoring
 - Suggestions should give the analyst new information derived from the exam that would help the analyst better understand the results of operations and set expectations for future operations. Examples are shown as follows:
 - Analyst should request access to the “Annual Expense Analysis Report” if the expense ratio continues to trend significantly above industry norm and/or if the company continues to experience operating losses. Note this report is prepared and presented to the board annually



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as part of the ongoing expense restructuring effort and presents information to indicate management's response/progress in addressing this issue.

- Analyst should request access to the annual "Line Profitability Report" to assist in monitoring underwriting losses. This report sets specific targets for profitability/loss ratios by line and provides analytical assessment comparing results of operations against targets set by PIC's actuarial group. Report is reviewed annually by the Board and plays a significant role in determining the underwriting/pricing strategy of the insurer.
- Suggestions should not be overly burdensome or unrelated to typical analyst responsibilities. Examples are shown as follows:
 - Analyst should monitor US 10 year treasury rate changes on a daily basis.
 - Analyst should test the results of IT system integration once the merger is complete.
- Suggestions for ongoing monitoring should not simply repeat typical analyst responsibilities. Examples are shown as follows:
 - Analyst should monitor rating agency changes, underwriting losses, results of operations etc.
 - Analyst should review the company's 10-K filing with specific focus on the MD&A to determine if any new risks are identified based on information provided.