

Required Sections of Handbook Guidance

The following chart is a tool that may be used to assist examiners in identifying which elements within the Financial Condition Examiners Handbook are required to be completed as part of every examination. The requirements listed encompass exam administration and planning, execution and review of examination work (including required exam procedures and exhibits) and examination wrap-up and deliverables. There may be additional procedures that the examination team deems necessary to be conducted during an examination that go beyond the requirements listed below. It is also possible that some elements will not be applicable to every examination. Professional judgment should be utilized in making such determinations. This tool should not be viewed as authoritative guidance. The Financial Condition Examiners Handbook should be consulted for further clarification as necessary.

Section	Topic	Comments
<i>Section 1 - General Examination Guidance</i>		
1.I.B	Scheduling an Exam	Exams should be scheduled in accordance with state statutes. Regulatory financial examinations should occur no less than once every five years.
1.I.B	Financial Exam Electronic Tracking System (FEETS)	Exams of multi-state insurers must be called in FEETS. Exams of single-state insurers that are part of a holding company group should be called in FEETS.
1.I.B.b(3)	EIC Requirements	The Examiner-in-Charge (EIC) of multi-state examinations must be a Certified Financial Examiner (CFE) or be directly supervised by a CFE.
1.I.C	Coordinating Exams of Multi- State Insurers	Exams of multi-state companies are required to be called in FEETS at least 90 days in advance of fieldwork.
1.I.D	Coordination of Holding Company Group Exams	Coordination is encouraged, but not required. Examiners are required to document attempts to coordinate if the company under examination is part of a holding company group. Role as a Lead State/Fully Participating State/Other State will be determined based on criteria set forth in this section.
1.I.E / Exhibit Z	Review and Reliance on Another State's Workpapers; Exhibit Z	Exhibit Z, Part Two should be used to document the coordination plan for the holding company group and how the requirements outlined in Section 1.I.D - Coordination of Holding Company Group Exams have been met.
1.I.H	Limited-Scope Exams	An exam report is required to be shared with the other impacted states when a limited- scope examination is completed.
1.I.I	Interim Work	Notification of each round of interim work should be provided to all states in which the insurer is licensed or writing business. Exhibit AA - Summary Review Memorandum (or similar document) should be utilized to summarize the results of each round of interim work.
1.II.B	Authority and Responsibility of EIC	The Examiner-in-Charge (EIC) of multi-state examinations must be a Certified Financial Examiner (CFE) or be directly supervised by a CFE.
1.III.A	General IT Review	The 6-step process for conducting an IT Review is required for all exams, except for specific scenarios described in this section in which the IT Work Program may be bypassed. Exhibit C - Evaluation of Controls in Information Technology (IT) should be used to assist in this review.
1.III.B	Materiality	Planning materiality must be calculated and documented.
1.III.E / Exhibit I	Use of Specialist; Exhibit I	The department is required to document decisions on use of specialists in the Exhibit I - Examination Planning Memorandum. For certain examinations, a credentialed actuary is required to be involved. Work performed by a specialist must be performed in accordance with the 7 phases of an exam.
1.III.G	Use of Independent Contractors	The insurance department is required to be involved in directing and monitoring work performed by independent contractors. The standards outlined in this section are required when a contractor is utilized.
1.III.H	Considerations for Insurers in Run-Off	Areas of focus and special considerations for insurers in run-off.
1.IV.B	Examination Documentation	Exam documentation must be prepared in sufficient detail to provide a clear understanding of the work performed.
1.IV.B	Preparer and Reviewer Sign-offs	Every workpaper is required to be signed off by a preparer and reviewer.
1.IV.C	Review of General Ledger and Journal Entries	A review of significant nonstandard journal entries should be performed. The exam should leverage work performed by CPAs in this area when possible.

1.IV.D	Review of Affiliated Transactions - Workpaper Documentation	Much of this section contains informational guidance. However, the examiner is required to gain an understanding of the insurer's relationships and transactions during the planning process. Significant agreements, transactions and/or findings should be documented in Exhibit I - Examination Planning Memo. Additional procedures may be required in later phases of the exam, based on the examiner's assessment of risk in this area.
1.IV.E a-b / Exhibit G	Consideration of Fraud; Exhibit G	A consideration of fraud is required on each examination. Exhibit G - Consideration of Fraud (or a similar document) should be used to document this assessment.
1.IV.E c	Anti-Money Laundering (AML)	The examination procedures outlined in this section are required for companies offering covered products.
1.IV.F / Exhibit Q	Examination Review Responsibilities; Exhibit Q	Much of this section contains informational guidance. However, a few specific requirements are listed, including sign-offs at certain points in the examination, timeliness of sign-offs, and the type of review to be conducted. Exhibit Q - Review and Approval Summary may be used to assist in documenting these requirements.
1.IV.G / Exhibit T	Letter of Representations; Exhibit T	A management representation letter must be obtained. Exhibit T - Letter of Representation provides an example template that should be customized to the insurer under examination.
1.IV.H / Exhibit P	Review of Subsequent Events; Exhibit P	A review of events subsequent to the examination period is a required procedure for all examinations. Exhibit P - Review of Events Subsequent to the Examination Period should be used to document this review.
1.IV.I	Review of Premium Taxes	A review of premium tax is a required procedure for all examinations.
1.IV.J / Exhibit BB	Summary of Unadjusted Errors; Exhibit BB	If misstatements are detected and not posted, they must be summarized. Exhibit BB - Summary of Unadjusted Errors should be used to accumulate misstatements.
1.V.A	Evaluation of Risk Transfer	An evaluation of Risk Transfer should be performed for significant reinsurance contracts.
1.IX.A	Interim Reporting to Chief Examiner	Status reports and the elements contained in this section of guidance are required.
1.IX.C	The Report of a Full Scope Examination	An examination report is required for each full-scope examination.
1.IX.D	The Management Letter	The use of a management letter or other form of communication is required on an examination. If no comments necessitate this communication, such should be documented in the file.
1.IX.E	The Report of a Limited Scope Examination	If a limited-scope exam is conducted, a report is required and should include items a-f of this section.
1.IX.H	Coordination and Distribution of the Examination Report of a Multi-State Insurer and the Resolution of Report Conflicts	Guidance in this section is required
1.IX.I	Timeliness of Examination Reports	Guidance in this section is required
Section	Topic	Comments
<i>Section 2 - Risk-Focused Examination Process</i>		
2.Phase 1.A.Step 1 / Exhibit A, Exhibit B, Exhibit C	Gather Necessary Planning Information; Exhibit A, Exhibit B and Exhibit C	The examiner is required to gather information during planning in order to gain an understanding of the Company. The examiner should review information already available to the department or obtained through pre-planning procedures before making additional requests. The examiner should also meet with the department financial analyst (in person or via conference call) prior to requesting information to be used in examination planning. In this meeting, a discussion of the Insurer Profile Summary should occur. After meeting with the department financial analyst and reviewing information previously obtained or otherwise available to the department, the examiner may make additional information requests of the company. Exhibit A - Examination Planning Procedures Checklist, Exhibit B - Examination Planning Questionnaire, and Exhibit C - Evaluation of Controls in Information Technology may be utilized to assist the examiner in fulfilling the requirements outlined in Phase 1.
2.Phase 1.A.Step 2	Review of Gathered Information	Reviewing information obtained in this section to gain an understanding of the company is a required element of the examination. The examiner should consult with the department analyst to determine if analyst work may be utilized.
2.Phase 1.A.Step 2 / Exhibit CC	Risk Identification/Tracking; Exhibit CC	Significant risks or issues identified through reviewing the gathered information should be documented on Exhibit CC (or a similar document).
2.Phase 1.A.Step 3	Analytical Reviews	Analytical procedures should be performed during planning to assist in identifying areas of concern that should be investigated further during an examination. The examiner should utilize work performed by the department analyst, when possible, in order to maximize examination efficiencies and reduce duplication of work.

2.Phase 1.B / Exhibit M	Understanding Corporate Governance; Exhibit M	A review of the Corporate Governance Structure is a required element of the examination. Exhibit M - Understanding the Corporate Governance Structure is a tool that may be used to document this review and assessment. Any concerns on the suitability of key individuals should be noted.
2.Phase 1.B	Interviews	Interviews with the Board of Directors and/or Management are required to be performed. The extent of which is to be determined by the examination team. Any concerns on the suitability of key individuals should be noted.
2.Phase 1.C / Exhibit E	Assessing the Adequacy of the Audit Function; Exhibit E	Guidance in this section provides various elements that should be considered when assessing the adequacy of the audit function, which is a required element of the examination. Exhibit E - Audit Review Procedures should be utilized to document this review and a clear conclusion regarding planned reliance. A memo may be used to supplement the information documented within Exhibit E.
2.Phase 1.D	Identifying Key Functional Activities	Key activity selection is required.
2.Phase 1.E / Exhibit V	Overarching Prospective Risks; Exhibit V	The exam is required to consider the company's prospective solvency position. Prospective risks that relate to just one key activity should be included on the respective key activity matrix. Risks related to multiple or no key activities should be addressed on Exhibit V - Prospective Risk Assessment. A preliminary listing of overarching prospective risks should be identified by the end of Phase 1. Further identification and assessment of prospective risk may extend beyond Phase 1. The assessment of overarching prospective risks should be completed by the end of Phase 5.
Section	Topic	Comments
2.Phase 2.A	Identifying the Risk	Examiners are required to identify risks and write risk statements for those identified risks.
2.Phase 2.B	Identifying the Type of Risk	A branded risk classification must be assigned to each risk. Examiners should consider assigning exam assertions to FR risks.
2.Phase 2.C	Assessing the Inherent Risk	Likelihood of Occurrence and Magnitude of Impact should be assessed for each identified risk. Examiners should apply judgment in these assessments in order to reach overall IR assessment and document the final conclusion on matrix.
2.Phase 2.D / Exhibit DD	Critical Risk Categories; Exhibit DD	At the conclusion of Phase 2, the examiner should utilize Exhibit DD - Critical Risk Categories to demonstrate that all critical risks facing the insurer have been selected for review. If the insurer is not exposed to a particular critical risk category, the examiner is required to document support for that assessment in the planning memo.
2.Phase 2.D / Exhibit I	Planning Memo; Exhibit I	At the conclusion of Ph. 2, the examiner should document the results of planning in a planning memo. Exhibit I - Examination Planning Memorandum should be utilized to ensure all necessary elements are documented.
2.Phase 2.D	Supervisor Sign-Off on Planning	Planning documentation, including the planning memo, should be reviewed and approved by both the chief examiner (or designee) and the examiner-in-charge prior to the performance of control (Phase 3) testwork.
2.Phase 3.A	Identifying Controls	An understanding of controls for each identified risk is required to be documented. Design of control must be appropriate for the inherent risk.
2.Phase 3.B&C	Evaluating Controls	Examiners must reach a conclusion on the strength of controls. If controls aren't tested, they should be assessed as weak.
2.Phase 4	Determine Residual Risk	Examiners are required to conclude upon a residual risk level. If exercising judgmental residual risk, the rationale must be documented.
2.Phase 5.A / Exhibit K	Risk Matrix; Exhibit K	Exhibit K - Risk Assessment Matrix (or similar document) is required to be completed as an all-encompassing documentation tool incorporating all phases of the exam.
2.Phase 5.A	Sign-off on Planned Detail Tests	Prior to the performance of Phase 5 testwork, planned detail examination procedures should be approved and signed-off on by the chief examiner (or designee) and the examiner-in-charge.
2.Phase 5	Establish/Conduct Detail Exam Procedures	High residual risk requires detail procedures. Moderate requires fewer detail procedures. Low RR without any control testing requires some level of detail tests.

2.Phase 6 / Exhibit H, Exhibit U, Exhibit AA	Update Prioritization & Supervisory Plan; Exhibit H, Exhibit U and Exhibit AA	A supervisory plan must be maintained for each domestic insurer, which is typically the responsibility of the financial analyst. The supervisory plan is often included in Exhibit H - Insurer Profile Summary (IPS); however, for high-priority or potentially troubled insurers a separate document may be appropriate. Exhibit U - Supervisory Plan provides a template that may be used in those instances. The examiner should update the financial analyst regarding examination results that impact the prioritization level or supervisory plan of the company. This communication may be documented using Exhibit AA - Summary Review Memorandum (SRM).
2.Phase 7.A	Draft Exam Report	An Exam Report is required to contain significant findings of fact discovered during the exam. The report is required to follow the format outlined in the Handbook. Reports are required to be filed timely.
2.Phase 7.B	Management Letter	Communication to the BOD or Management is required either through the use of a management letter or other form of communication. If no comments necessitate this communication, such should be documented in the file.
2.Phase 7.C / Exhibit AA	Summary Review Memo	Exhibit AA - Summary Review Memorandum or a substantially similar document should be utilized to communicate information to the financial analyst at the conclusion of an examination.
2.Phase 7.D	Letter of Representations	A customized Letter of Representation should be obtained from management as part of every examination. Exhibit T - Sample Letter of Representation or a substantially similar document may be utilized.
Section	Topic	Comments
Section 3 - Examination Repositories		
The examination repositories are not required to be used during an examination. The purpose of the examination repositories is to provide a tool to assist examiners in determining which risks might be relevant in addressing a critical risk category during an examination. The exam repositories are not intended to provide an all-inclusive listing of potential risks, nor to provide a minimum baseline of which risks are required to be identified on all exams.		
Section 4 - Examination Exhibits		
Please Note: A number of exhibits have been excluded from this chart as the use of the respective exhibit is not explicitly required. However, in many instances the related assessment is required to be conducted and the respective exhibit or a similar document may be utilized to document that assessment. These required assessments are listed elsewhere on this chart and reference the applicable exhibit that may be utilized.		
4.Exhibit C	Exhibit C - Evaluation of Controls in Information Technology	The IT Planning Questionnaire is required to be completed, as well as a summary memo describing the results of the IT Review. A work program is required to be completed, with some exceptions depending on size and complexity, and should be customized to the insurer under examination. A conclusion of 'generally effective' or 'generally ineffective' should be reached in regards to the IT General Controls.
4.Exhibit E	Exhibit E - Audit Review Procedures	A review and assessment of existing audit work is required. Exhibit E should be used for this purpose.
4.Exhibit H	Exhibit H - Insurer Profile Summary Template	An Insurer Profile Summary is required to be maintained for each domestic insurer. Certain elements are required but the format may vary. This document is typically maintained by the financial analyst.
4.Exhibit I	Exhibit I - Examination Planning Memorandum	The Planning Memo must be signed-off by the supervisor. In addition, Exhibit I should be utilized to ensure all necessary elements are documented.
4.Exhibit K	Exhibit K - Risk Assessment Matrix	The completion of a risk matrix as shown in Exhibit K (or similar document) is required.
4.Exhibit P	Exhibit P - Review of Events Subsequent to the Examination Period	Exhibit P should be utilized in identifying and reviewing subsequent events
4.Exhibit T	Exhibit T - Sample Letter of Representation	A customized management representation letter must be obtained.
4.Exhibit V	Exhibit V - Overarching Prospective Risk Assessment	This exhibit is required to be completed for those prospective risks that do not fit on a matrix (or relate to multiple matrices).
4.Exhibit Z	Exhibit Z - Examination Coordination	Exhibit Z is required to be used to document coordination efforts if the company under examination is part of a holding company group.
4.Exhibit AA	Exhibit AA - Summary Review Memorandum (SRM)	Exhibit AA - Summary Review Memorandum or a substantially similar document should be utilized to communicate information to the financial analyst at the conclusion of an examination.
4.Exhibit BB	Exhibit BB - Summary of Unadjusted Errors	This exhibit is required to be used in accumulating errors identified during an exam that are greater than the passed adjusting journal entry amount, if applicable.

4.Exhibit CC	Exhibit CC - Issue/Risk Tracking Template	This exhibit (or similar document) is required to be used in accumulating unique risks and/or those of heightened concern throughout planning.
4.Exhibit DD	Exhibit DD - Critical Risk Categories	This exhibit is required to be completed to demonstrate that each critical risk category is appropriately addressed in an examination or demonstrate that the company does not have exposure to any critical risk category left unaddressed.