

FINANCIAL REGULATION STANDARDS AND ACCREDITATION (F) COMMITTEE

Financial Regulation Standards and Accreditation (F) Committee August 11, 2025, Minutes

2026 Proposed Charges (Attachment One)

Interested Party Comment Letter Regarding Revisions to the Review Team Guidelines Proposed by the Risk-Focused Surveillance (E) Working (Attachment Two)

Review Team Guidelines Contractor Oversight Edits (Attachment Three)

Proposed Revisions to the Review Team Guidelines Guide Part C (Attachment Four)

Proposed Revisions to the Self-Evaluation Guide (Attachment Five)

Draft Pending Adoption

Date: 8/13/25

Financial Regulation Standards and Accreditation (F) Committee
Minneapolis, Minnesota
August 11, 2025

The Financial Regulation Standards and Accreditation (F) Committee met in Minneapolis, MN, Aug. 11, 2025. The following Committee members participated: Sharon P. Clark, Chair (KY); Elizabeth Kelleher Dwyer, Co-Vice Chair (RI); Larry D. Deiter, Co-Vice Chair represented by Johanna Nickelson (SD); Heather Carpenter (AK); Andrew N. Mais (CT); Vicki Schmidt (KS); Robert L. Carey represented by Vanessa Sullivan (ME); Mike Causey represented by Jackie Obusek (NC); Jon Godfread represented by Matt Fischer (ND); Eric Dunning (NE); TK Keen (OR); Michael Wise (SC); Scott A. White represented by Doug Stolte (VA); and Jeff Rude (WY).

1. Adopted its Spring National Meeting Minutes

Commissioner Rude made a motion, seconded by Commissioner Schmidt, to adopt the Committee's March 25 minutes (*see NAIC Proceedings – Spring 2025, Financial Regulation Standards and Accreditation (F) Committee*). The motion passed unanimously.

Commissioner Clark said the Committee also met Aug. 10 in regulator-to-regulator session pursuant to paragraph 7 (consideration of individual state insurance department's compliance with NAIC financial regulation standards) of the NAIC Policy Statement on Open Meetings. During this meeting, the Committee voted to award continued accreditation to Maryland, Oregon, and Washington.

2. Adopted the Report of the Accreditation Scope and Alignment (F) Working Group

Commissioner Clark said the Committee voted to appoint the Accreditation Scope and Alignment (F) Working Group at the 2024 Fall National Meeting to review the scope of the accreditation program and ensure it continues to align with the insurance industry. She said the Working Group met July 1, May 9, April 23, April 3, and March 19 in regulator-to-regulator session pursuant to paragraph 7 (consideration of individual state insurance department's compliance with NAIC financial regulation standards) of the NAIC Policy Statement on Open Meetings. She reported that the Working Group has developed and distributed an all-states survey to collect information to help understand each state's domestic industry, and that the Working Group anticipates meeting in open session later in 2025.

Commissioner Mais made a motion, seconded by Director Dwyer, to adopt the report of the Accreditation Scope and Alignment (F) Working Group. The motion passed unanimously.

3. Adopted its 2026 Proposed Charges

Commissioner Clark discussed a memorandum that includes the Committee's 2026 proposed charges, noting the proposed charges are unchanged from the Committee's 2025 charges.

Director Dwyer made a motion, seconded by Stolte, to adopt the Committee's 2026 proposed charges (Attachment One). The motion passed unanimously.

Draft Pending Adoption

4. Adopted Revisions to the Review Team Guidelines Proposed by the Risk-Focused Surveillance (E) Working Group

Commissioner Clark said the Risk-Focused Surveillance (E) Working Group has proposed revisions to review team guidelines in the *Accreditation Program Manual* in response to a referral sent by the F Committee in 2024, requesting additional guidance for the oversight of contractors in examination and analysis functions. The proposed revisions, which were exposed for a 30-day comment period ending April 25, were intended to clarify that: 1) contract resources should be included in the consideration of qualified resources used in examination and analysis functions; 2) individuals charged with overseeing the work of contract resources should review the work completed for understanding and assessment of the quality of work performed; 3) certain timeliness requirements associated with the department's review of work either completed or reviewed by contract resources; and 4) additional review expectations associated with the insurer profile summary and group profile summary when contractors are used for supervisory review within the analysis.

Tom Finnell (AHIP) addressed the comment letters submitted on behalf of interested parties (Attachment Two). Finnell stated that although interested parties were pleased with the proposed revisions made in response to the feedback submitted, they continue to have concerns regarding the increased use of contractors for financial analysis purposes, as this type of outsourcing has the potential to reduce institutional knowledge of the departments of insurance.

Stolte made a motion, seconded by Nickelson, to adopt the proposed revisions to the review team guidelines (Attachment Three). The motion passed unanimously.

5. Exposed Revisions to the Review Team Guidelines and Self-Evaluation Guide in Response to Industry Feedback

Bailey Henning (NAIC) said that additional revisions have been proposed to the review team guidelines and self-evaluation guide in response to feedback submitted by interested parties during the exposure period for the items discussed during agenda item No. 4. The proposed revisions add new guidelines to Part C: Organizational and Personnel Practices related to conflicts of interest and confidentiality protections when using contract resources.

Acting Director Carpenter made a motion, seconded by Director Dunning, to expose the proposed revisions to the review team guidelines and self-evaluation guide for a 30-day comment period ending Sept. 12 (Attachment Four). The motion passed unanimously.

6. Exposed Revisions to the Self-Evaluation Guide

Sara Franson (NAIC) said that the Committee's volunteer drafting group has proposed revisions to the self-evaluation guide related to the oversight of contractors in the financial analysis function. These proposed revisions include additional information to be provided with the department's listing of multi-state domestic companies and additional details related to staffing changes.

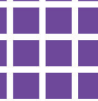
Commissioner Schmidt made a motion, seconded by Commissioner Rude, to expose the proposed revisions to the self-evaluation guide for a 30-day comment period ending Sept. 12 (Attachment Five). The motion passed unanimously.

Having no further business, the Financial Regulation Standards and Accreditation (F) Committee adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/F CMTE/2025Summer



2025 SUMMER NATIONAL MEETING
MINNEAPOLIS, MN



MEMORANDUM

TO: Financial Regulation Standards and Accreditation (F) Committee

FROM: Bailey Henning, Senior Manager – Accreditation and Financial Examinations

DATE: July 21, 2025

RE: 2026 Proposed Charges

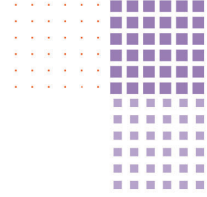
Below are the Financial Regulation Standards and Accreditation (F) Committee's 2026 proposed charges. There have been no substantive changes from the Committee's 2025 charges.

The mission of the Financial Regulation Standards and Accreditation (F) Committee is both administrative and substantive, as it relates to the administration and enforcement of the NAIC Financial Regulation Standards and Accreditation Program. This includes, without limitation: 1) the consideration of standards and revisions of standards for accreditation; 2) the interpretation of standards; 3) the evaluation and interpretation of the states' laws and regulations, as well as departments' practices, procedures, and organizations as they relate to compliance with standards; 4) the examination of members for compliance with standards; 5) the development and oversight of procedures for the examination of members for compliance with standards; 6) the selection of qualified individuals to examine members for compliance with standards; and 7) the determination of whether to accredit members.

Ongoing Support of NAIC Programs, Products, or Services

1. The **Financial Regulation Standards and Accreditation (F) Committee** will:
 - A. Maintain and strengthen the NAIC Financial Regulation Standards and Accreditation Program.
 - B. Assist the states, as requested and as appropriate, in implementing laws, practices, and procedures and obtaining personnel required for compliance with the standards.
 - C. Conduct a yearly review of accredited jurisdictions.
 - D. Consider new model laws; new practices and procedures; and amendments to existing model laws, practices, and procedures required for accreditation. Determine the timing and appropriateness of the addition of new model laws, practices, procedures, and amendments.
 - E. Render advisory opinions and interpretations of model laws required for accreditation and on substantial similarity of state laws.
 - F. Review existing standards for effectiveness and relevancy, and make recommendations for change, if appropriate.
 - G. Produce, maintain, and update the NAIC *Accreditation Program Manual* to provide guidance to state insurance regulators regarding the official standards, policies, and procedures of the program.
 - H. Maintain and update the "Financial Regulation Standards and Accreditation Program" pamphlet.





- I. Perform enhanced pre-accreditation review services, including additional staff support, increased participation, enhanced report recommendations, and informal feedback.
 - J. Appoint and oversee the activities of the Accreditation Scope and Alignment (F) Working Group.
2. The **Accreditation Scope and Alignment (F) Working Group** will:
- A. Review the current scope of the accreditation program to: evaluate whether it aligns with the program's objectives; determine whether there are any multistate companies/activities that are not currently covered in the scope of the program.
 - B. Analyze state regulations to understand how states regulate companies within the scope of the accreditation program, and identify any discrepancies or unique regulatory practices across states. Maintain a resource that summarizes the results of this analysis.

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April 25, 2025

Lori K. Wing-Heier, Chair
Financial Regulation Standards and Accreditation (F) Committee
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Via email
Attn: Baily Henning, bhenning@naic.org

Re: Exposure on Proposed Revisions to the Review Team Guidelines that were Developed by the Risk-Focused Surveillance (E) Working Group Relating to the Oversight of Contractors in the Examination and Analysis Functions

Dear Ms. Wing-Heier:

Interested parties appreciate the opportunity to comment on the above-captioned item that was exposed for comment by the Financial Regulation Standards and Accreditation (F) Committee (the "F Committee") during the NAIC's 2025 Spring National Meeting with a comment deadline of April 25.

We understand that the subject exposure draft was issued by the F Committee to seek comments on proposed additions and changes to guidance in the NAIC Accreditation Program's Review Team Guidelines ("Guidelines") and Self-Evaluation Guide ("Guide") pertaining to the use of independent contractors to support the financial analysis function of state insurance departments. The changes were proposed by the Risk-Focused Surveillance (E) Working Group (RFSWG) in response to the F Committee's referral to RFSWG during the NAIC's 2024 Summer National Meeting. The referral pertained to financial analysis and department oversight of contractors, financial examinations, and the department designee. Interested parties believe the proposed changes in the exposure draft are responsive to F Committee's referral and comprise appropriate

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revisions to the Guidelines and Guide. Accordingly, interested parties have no comment on those proposed revisions.

Related to the exposure draft, however, interested parties do not believe the proposed changes to the Guidelines and Guide go far enough to address “other risks” involved in the use of contractors which interested parties previously brought to the attention of the F Committee and the RFSWG. Those other risks relate to potential conflicts of interest, and concerns over the confidentiality and security of insurers’ non-public information to which contractors may have access during their work on behalf of state insurance departments.

Interested parties first brought concerns about these other risks to F Committee’s attention in a comment letter dated September 27, 2024. However, interested parties acknowledged in that letter that it would have been premature for F Committee to act at that time, and suggested that RFSWG should consider the issue first and make any necessary changes to the Financial Analysis and Examination Handbooks (the “Handbooks”). With input from interested parties, RFSWG addressed these other risks and adopted additional changes in the Handbooks; the revisions were adopted on RFSWG’s call of February 26, 2025. We refer you to those letters for more information on these other risks, which are not insignificant. For example, unresolved conflicts of interest in the analysis and examination process can detract and potentially impair the credibility of the work being performed by a contractor on behalf of a state.

Some members of RFSWG have correctly noted that a state’s oversight of matters related to the other risks is typically handled as part of the state or department’s procurement or contracting process and would not be under the purview of departmental staff overseeing the analysis or examination functions. By extension, that could suggest that the contracting function is not in scope of the accreditation guidelines either. However, we note that the existing Review Team Guidelines do address matters such as the qualifications of contractors. For example, one of the guidelines states as follows: “The department should have qualified analysts (including department reviewers) or contractual resources with appropriate skill sets, abilities, knowledge and experience levels to satisfactorily and effectively perform analysis tasks and procedures.” Such qualifications are typically considered when an insurance department solicits potential contractors through a “Request for Qualifications” or similar solicitation. Therefore, considering other risks that are also addressed during the contracting process, e.g., potential conflicts of interest, would be entirely consistent with the existing accreditation guidelines.

With RFSWG’s adoption of expanded guidance in the Handbooks to address these other risks, and consistent with the suggestions of interested parties in their comment letter to F Committee of September 27, 2024, interested parties believe it would now be appropriate for F Committee to consider additional changes to the Guidelines and Guide to address these other risks as part of the NAIC’s Accreditation Program.

To assist F Committee in its deliberation of this matter, attached are the September 27, 2024 comment letter to F Committee submitted by interested parties; a transmittal letter from interested

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parties of the same date accompanying that letter to the Chair of RFSWG; the comment letter of interested parties to RFSWG of December 10, 2024; and the changes adopted to the Handbooks by RFSWG on its call of February 26, 2025 and which include changes addressing the other risks.

* * *

Thank you again for this opportunity to comment. Please feel free to contact either one of us if you have any questions or would like to discuss.

Sincerely,

D. Keith Bell

Rose Albrizio

cc: Interested parties
NAIC staff

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December 10, 2024

Amy Malm, Chair
Risk-Focused Financial Surveillance (E) Working Group, National Association of
Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197
By e-mail to Bruce Jenson at: bjenson@naic.org

**Re: Exposure on Proposed Changes to the NAIC's Financial Analysis and Financial
Condition Examiners Handbooks Pertaining to the Use of Contractors**

Dear Ms. Malm:

Interested parties ("IPs") appreciate the opportunity to comment on the above-captioned item that was exposed by the Risk-Focused Financial Surveillance (E) Working Group, ("RFSWG") with a comment deadline of December 10.

The interest of IPs in this matter originated with an earlier exposure by the NAIC's Financial Regulation and Accreditation Standards (F) Committee (the "F Committee") to which IPs responded in its comment letter dated September 27, 2014. While IPs took no exception to the suggested revisions in that earlier exposure, we commented that such revisions did not adequately address certain risks involved in a state insurance department's use of contractors and that those matters should first be addressed on a technical level by the RFSWG. Once the RFSWG resolved any additional guidance in the Financial Analysis Handbook ("FAH"), any enhancements could then be considered by the F Committee for possible future revisions to the NAIC's Accreditation Manual and its guidance for Accreditation reviewers.

By time the IPs' comment letter of September 27, 2024, was sent to you and your colleagues on the RFSWG, the RFSWG was already well on its way to developing its own exposure draft of proposed revisions to both the FAH and the Financial Condition Examiners Handbook (FCEH) pertaining to the use of contractors. The RFSWG decided to proceed with the release of its exposure rather than

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hold it up for further input at that time by IPs. However, IPs were given the opportunity to provide further comment during an extended exposure period, for which IPs are appreciative.

IPs have provided detail comments in the attachment to this letter, but also provide below a recap of some of the key points that were included in our September 27, 2014 comment letter to the F Committee. IPs believe that these points continue to apply in the case of the current exposure pending before the RFSWG:

1. First, our primary concern is the apparent increased involvement in recent years of contractors in the state regulatory financial analysis function, a trend which is acknowledged in the F Committee's referral to RFSWG.
2. Second, IPs understand and have also experienced the resource constraints that state insurance departments are experiencing in the current environment to attract and retain qualified personnel, a phenomenon that is impacting both the public and private sectors in various ways. Balancing the need to address the shortage of qualified personnel with the issues associated with the use of contractors, any use of contractors – whether in the private or public sector – calls for the use of appropriate guardrails to assure the quality of work performed and avoid unintended consequences and risks.
3. Third, there are certain aspects involving the use of contractors that are not covered currently in the NAIC Financial Analysis Handbook. These include guardrails which address not just the supervision, review and timeliness of work performed, but also matters such as the independence of the contractor (and/or his/her firm); any potential conflicts of interest they may have and the ongoing responsibility to report any changes promptly; the confidentiality of insurer-specific information or proprietary processes with which the contractor may come into possession or knowledge in the course of their work on behalf of the state; the security and data governance over that information including in electronic format and transmissions.
4. Fourth, the use of contractors for financial analysis should only be undertaken on a temporary basis until such time as the state insurance department is able to hire qualified personnel. Full-time personnel provide a continuity of involvement with the insurers that are the subject of their analyses; state insurance departments, as well as insurers, benefit from their in-house knowledge and experience with insurers over time. Having the analysis performed by state insurance department personnel provides that continuity of involvement and should be the long-term goal of the insurance department.

The materials that comprise the RFSWG's current exposure consist of four documents that are posted on the Exposures Tab of the RFSWG's web page. The proposed revisions that are included therein focus on some risks that can relate to the use of contractors, e.g., that they may not be adequately qualified, that an appropriate level of departmental oversight and review be in place, and that their work needs to be performed in a timely manner to fulfill the department's supervisory objectives. In that regard, IPs support the logical framework for such revisions in that risks are identified, and appropriate guardrails are imposed to address those risks. IPs therefore have no comments relative to those proposed revisions.

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However, IPs have identified certain other risks that we believe are not adequately addressed either in the current FAH or the RFSWG's current exposure. These are described in the attachment to this letter, along with examples as to how those risks may manifest themselves, and suggested guardrails for the RFSWG to consider through additional guidance in the FAH.

As the RFSWG considers IPs' comments regarding guardrails relative to specific risks involving the use of contractors, there is a pervasive matter that emphasizes an even greater need for state insurance departments to have such guardrails in place involving the use of contractors in the financial analysis function, as compared to the on-site examination function. In the case of examinations, company management provides an additional guardrail in that they oversee the information and data about the company that is provided to the examiner, the means by which such information and data is accessed and secured and can engage with department personnel at the appropriate level of authority should any concerns arise. However, for financial analysis, the contractor would be accessing information about an insurer (or possibly multiple insurers in the case of macro-level or sectoral-wide analysis) directly from the insurance department. This could include not just basic financial information, but many other filings including Own Risk and Solvency Assessments which are not just filed by insurers on a confidential basis but are also subject to legal privilege. Unlike the use of contractors on financial examinations, company management is not in a similar position to serve as a guardrail in the case of such financial analysis work by contractors.

A related matter which can apply to examinations as well as financial analysis is whether company management is even aware of the terms of engagement between the insurance department and the contractor. Such terms should state clearly in writing what the contractor is expected to do and the intended deliverables and deadlines, as well as any other contract or engagement letter requirements that might pertain to some of the risks delineated in the attachment, e.g., the confidentiality of information. IPs believe that fewer states are now entering into 3-party agreements between the department and the contractor and which also includes the company as a signatory acknowledging its awareness of the terms of the contract (and in most cases also acknowledging the company's obligation to pay the contractor's fees). Further, in the majority of situations where the company is not an additional signatory, the company is not otherwise provided the opportunity to see the contract or engagement letter between the insurance department and the contractor. Given that certain of the key risks identified in the attachment may be addressed or mitigated through the contracting process, management should have the opportunity to express any concerns as to whether those terms are adequate in light of the subject matter and the nature of the data and information involved.

* * * * *

Thank you for this opportunity to comment. Please feel free to contact either one of us if you have any questions or would like to discuss further.

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Sincerely,

D. Keith Bell

Rose Albrizio

cc: Interested Parties
NAIC Staff

Risks Associated with the Use of Contractors

In this attachment, IPs have identified several risk categories for which the FAH should be revised to include additional guidance when a state engages contractors to perform financial analysis. Each category is supplemented with a brief description, some possible examples of what could go wrong, and suggested guardrails for the RFSWG to consider as additional guidance in the FAH.

1. Independence:

Risk: The contractor may not be independent, i.e., there are factors present that could present the appearance of a conflict of interest, if not an actual conflict.

Examples: If, in addition to the state insurance department as a client the contractor has other clients in the industry, or works for a firm that has such other clients, that may present the appearance of, or an actual, conflict of interest:

- The other clients may have matters that are pending or which could come before the Department that involve issues that are identical or similar to those covered by the contractor's financial analysis work for the Department.
- Non-public or proprietary information or data to which the contractor has access in the course of financial analysis work on behalf of the state insurance department may be misappropriated to benefit those consulting/advisory engagements for the contractor's/firm's other clients or otherwise to promote the contractor's/firm's business.

Suggested Guardrails: IPs recommend that the RFSWG adapt the relevant guidance in the Financial Condition Examiners Handbook (FCEH) and apply it for use in the Financial Analysis Handbook (FAH). In that regard, FCEH section *III.G. Use of Independent Contractors on Multi-State Examinations*, subsection *4. Conflicts of Interest*, is pertinent. That text is as follows, with suggested revisions to adapt it for use in the FAH:

Conflicts of interest may occur if ~~the financial analysis an examination~~ of a company is performed, or related advice regarding the company is provided, by an independent contractor who has a significant relationship with the company, its affiliates, or their management (financial or non-financial) that may impair in fact, or in appearance, the independent contractor's independence. To evaluate any such conflicts of interest, the insurance department should request a disclosure letter from the independent contractor regarding their past, present or planned relationships, both financial and non-financial, with the examined company or its affiliates. The disclosure letter should discuss the nature of the services provided by the independent contractor and the amount of fees paid to the CPA by the company over the preceding five years.

Determining whether a potential conflict of interest exists is a matter of considerable judgment. As independent contractors provide many different types of services (e.g., accounting, auditing, actuarial, management and tax consulting), it will be necessary to evaluate the nature of services provided and the amount of fees involved when determining whether a potential conflict of interest exists.

Risks Associated with the Use of Contractors

However, in the conduct of financial analysis work, other types of potential conflicts of interests may be presented which go beyond the above guidance from the FCEH. Thus, it is recommended that the following text be considered by the RFSWFG as additional guidance for the FAH:

Unlike an examination where a contractor's work involves a single company or related group of companies, an analyst may be involved with peer analysis which could involve many unrelated insurers involved in a particular line of business, or even sector-wide analyses. The contracting analyst's findings and recommendations could therefore have potential implications across a cohort of companies, some of which may be clients of the contractor or his/her firm.

There may also be conflicts involving the specific issues that impact various insurers; the contracting analyst may find themselves assessing and providing advice on an issue involving an insurer on behalf of the state insurance department, while the analyst's firm may also be providing potentially different advice to the firm's other clients, or basing advice to other clients on confidential information accessed from their engagement with the insurance department.

Situations like those described in the preceding two paragraphs are more likely to occur when the individual being contracted is employed by a firm that also serves clients in the industry. Industry knowledge and specialization is a beneficial attribute to consider when states are seeking analysis services. However, the state should also consider the likelihood of a broader array of potential conflicts that may also exist in the absence of sufficient guardrails. The insurance department should request, as part of the disclosure letter referred to above, that the contractor's firm describe:

- All relationships between the contractor, the contractor's firm or any affiliates of the firm with entities that are regulated by the Department for which the anticipated services of the contractor may have some impact, directly or indirectly, on the Department's oversight of such entities.
- The specific controls that are in place to assure that such potential conflicts do not exist.

The written description should be required to be updated at least annually, and again subject to review by the Department to assure that there are no matters that a reasonable person might conclude could present a conflict of interest.

2. Confidentiality

Risk: The contractor may not adequately protect, or have the ability to protect, the Department's or an insurer's confidential or privileged information.

Examples: Confidential data or other information that the contractor has access to pursuant to their financial analyses work for the Department, including the nature of any findings, conclusions, discussions with Departmental personnel or with company personnel or management, or privileged

Risks Associated with the Use of Contractors

material such as an ORSA Annual Report or any analyses thereof, are shared or leaked to non-authorized persons or organizations.

Suggested Guardrails: The engagement letter or contract should include standard confidentiality provisions that provide for adequate protection of all insurer data and information that the contractor might have access to in the course of their work for the state. These confidentiality provisions should be compliant with statutory confidentiality provisions such as those in the Risk Management and ORSA Model Act and the Corporate Governance Annual Disclosure Model Act. They must include that the contractor affirmatively state in writing that it has both the intent and ability (including legal authority) to protect any confidential or privileged information.

Additional contractual provisions or Departmental procedures may also be necessary depending upon whether the contractor's work is done on-site at the Department or remotely, and whether access to information is achieved through use of Departmental technology resources and platforms or the contractor's own resources and platforms.

3. Security of Company Data and Information

Risk: Company information, whether hard copy or electronic, may not be maintained in a reliably secure manner

Examples: Company information, if not adequately secured with restricted access, may be misappropriated by unauthorized players in various ways. Examples of company data which may be vulnerable includes electronic transmissions sent over non-secure channels, data stored on devices that are not encrypted or adequately restricted, and passwords that are not adequate or changed regularly.

Suggested Guardrails: Examination practices should include a signed Data Security and Confidentiality Agreement ("Agreement"), detailing the contractor's obligations to keep all information and data reviewed or obtained during the course of the engagement with the department confidential and maintained in a secure environment with access limited only to listed authorized personnel.

The Agreement should include an obligation to report any breach or unauthorized access or disclosure to the department and must provide for the state and any aggrieved party with the right to seek injunctive relief against the contractor in the event of a data breach or the contractor's use of the examination or analysis data for any purpose outside of their work for the department.

The Agreement should also require the use of a secure file transfer protocol for delivering information and employ best practices for encryption and/or access to the information.

4. Institutional Knowledge of the Insurance Department

Risk: The state Insurance Department may experience a loss of institutional knowledge, as a regulatory body, of regulated entities.

Risks Associated with the Use of Contractors

Examples: The State Insurance Department's use of a contractor, whether on a temporary or a long-term basis, may result in the Department's personnel not having or retaining the detailed knowledge related to the contractors' outsourced function and the group being reviewed.

For example, the use of a contractor to document the Insurer Profile Summary will require extensive Department oversight in order for the Department to be familiar with the underlying details of the group information. Using a contractor as the subject matter expert instead of a Department employee may limit the Department's ability to respond to subsequent follow-up questions and be dependent upon the Department's access to the contractor. This issue may be further compounded if there is a change in the contractor and or contracting firm in subsequent years.

Suggested Guardrails: State Insurance Departments should retain sufficient detail and repository information over outsourced functions with a designated employee responsible for maintaining sufficient knowledge and oversight of the function.

Attachment One

NAIC FINANCIAL REGULATION STANDARDS AND ACCREDITATION PROGRAM

REVIEW TEAM GUIDELINES

Part B1: Financial Analysis

a. Sufficient Qualified Staff and Resources

Standard: The department should have the appropriate staff and resources to effectively and timely review the financial condition of all domestic insurers.

Results-Oriented Guidelines:

1. The department should have qualified analysts (including department reviewers) or contractual resources with appropriate skill sets, abilities, knowledge and experience levels to satisfactorily and effectively perform analysis tasks and procedures. Such experience should match the sophistication and complexity of the domestic industry. When assessing whether a department has qualified staff and resources, consideration should be given to the following:
 - The quality of the work performed by the financial analysis staff as documented in the financial analysis files.
 - The financial analysis staff's knowledge and comprehension of the insurance industry and its domestic insurers, as demonstrated during interviews with the staff.
2. The analysis of various financial filings should be completed timely, as discussed in the process-oriented guidelines. If the analysis tasks and procedures were not completed timely, consideration should be given to the size and complexity of the department's multistate insurers and the insurance holding company systems for which the department acts as the lead state. If the analysis tasks and procedures were not completed timely, the department should document the reasons for such, and the review team may take extenuating circumstances into consideration.

Process-Oriented Guidelines:

1. The financial analysts and supervisors, including contractors (if applicable), as well as those reviewing contract supervisor work, should have an accounting, insurance, financial analysis and/or actuarial background, and insurance backgrounds should be financial in nature. College degrees should focus on accounting, insurance, finance, business or actuarial science. Professional designations and credentials may also demonstrate expertise in insurance and/or financial analysis.
2. The analysis of priority insurers should be completed by the analyst and reviewed by the supervisor (including department review of contract supervisor work) by:
 - Annual statements and actuarial-related filings: End of April.
 - Quarterly statements: Within 60 days from receipt of filing.
 - Supplemental filings (excluding holding company filings): Within 60 days from receipt of filing.
 - Holding company filings: by Oct. 31st for analysis conducted by the lead state; by Dec. 31st for analysis conducted by the domestic state.

3. The analysis of non-priority insurers should be completed by the analyst and reviewed by the supervisor (including department review of contract supervisor work) by:
 - Annual statements and actuarial-related filings: End of June or if a preliminary analysis, as outlined in the NAIC *Financial Analysis Handbook* (Analysis Handbook), indicates no immediate concerns, then by the end of July.
 - Preliminary analysis performed and relied upon for analysis completion dates should be completed within two weeks from receipt of filing.
 - Quarterly statements: Within 90 days from receipt of filing.
 - Supplemental filings (excluding holding company filings): Within 120 days from receipt of filing.
 - Holding company filings: by Oct. 31st for analysis conducted by the lead state; by Dec. 31st for analysis conducted by the domestic state.

c. Appropriate Supervisory Review

Standard: The department's financial analysis process should provide for appropriate supervisory review and comment. Supervisory review may be conducted by the analyst's supervisor or a senior-level analyst whose job functions include such review duties.

Results-Oriented Guidelines:

1. The supervisory review should be an in-depth and challenging review of the analyst's findings. An in-depth and challenging review should ensure the financial analyses performed are thorough and substantive. When assessing whether the supervisory review is in-depth and challenging, consideration should be given to the following:
 - Substantive review notes provided by the supervisor. Although supervisory review notes may assist the accreditation review team in assessing the supervisory review, they are not required to be created or maintained.
 - The overall quality of the analysis work as documented in the analysis file, including whether all material matters have been identified and adequately discussed.
 - Why issues with the quality of the analysis were not identified and resolved by the supervisor.
2. If a department elects to utilize a contractor to perform the primary supervisory review of financial analysis, an additional level of review is required on the IPS and/or Group Profile Summary (GPS) by a qualified department employee. This review should result in the department employee understanding and assessing the overall quality of the analysis work performed.

Process-Oriented Guidelines:

1. There should be evidence of at least one level of supervisory review on the financial analysis. This does not include scenarios when the company "passed" an automated review, such as the Quarterly Assessment of Non-Troubled Insurers. The supervisory review should be evidenced by sign-off and dating.
2. If the department uses an automated review such as the Quarterly Assessment of Non-Troubled Insurers, and the company did not "pass" the automated review but the analyst documented the rationale that no further documented analysis was necessary, a supervisor should approve the conclusion.

3. The supervisory review should include a review of the risk assessment and significant supporting documentation, and include at least some review of the source documents, the level of which should be based on the experience of the analyst.
4. The supervisory review should be performed within two to three weeks of completion of the original analysis.
5. The supervisory review should include a review of any written responses from the company received by the primary analyst that contain significant information.
6. The supervisory review should include a review of any change in an insurer's priority rating.
7. If the department utilizes a contractor to perform the primary supervisory review of financial analysis, an additional level of review is required on the IPS and/or Group Profile Summary (GPS) by a qualified department employee. This department review should be completed within three weeks of the primary supervisory review, or prior to the overall analysis timeliness deadlines (whichever is sooner).

Part B2: Financial Examinations

a. Sufficient Qualified Staff and Resources

Standard: The department should have the resources to effectively examine all domestic insurers on a periodic basis in a manner commensurate with the financial strength and position of each insurer.

Results-Oriented Guidelines:

1. The department should have qualified examiners (including department designees) or contractual resources with appropriate skill sets, abilities, knowledge and experience levels to satisfactorily and effectively perform examination tasks and procedures. Such experience should match the sophistication and complexity of the domestic industry. When assessing whether a department has qualified staff and resources, consideration should be given to the following:
 - The quality of the work performed by the financial examination staff and/or contractors as documented in the financial examination files.
 - The financial examination staff's and/or contractor's knowledge and comprehension of the insurance industry and the company under examination, as demonstrated during interviews with the staff.
2. The department should have sufficient examination staff and/or contractual resources to appropriately perform necessary target and limited scope examinations.

Process-Oriented Guidelines:

1. The financial examiners and supervisors (including department designees) should have an accounting, insurance, financial analysis, financial examination, information technology (IT) and/or actuarial background, and insurance backgrounds should be financial in nature. College degrees

should focus on accounting, insurance, finance or actuarial science. Professional designations and credentials may also demonstrate expertise in insurance and/or financial examinations.

2. The department should perform a full-scope examination on each domestic company in accordance with the respective state law or at least once every five years, whichever is less.

d. Appropriate Supervisory Review

Standard: The department's procedures for examinations should provide for supervisory review of examination workpapers and reports to ensure that the examination procedures and findings are appropriate and complete and that the examination was conducted in an efficient and timely manner.

Results-Oriented Guidelines:

1. The supervisory review should be an in-depth and challenging review of the examiner's findings and the concepts applied in performing the work. When assessing compliance with this guideline, consideration should be given to the following:
 - Depth and challenging nature of supervisory review notes, although maintenance of review notes is not required.
 - The overall quality of the work performed, including whether the examination procedures appear to be complete and appropriate and no material matter remains unaddressed.
 - Discussions with department staff that verify occurrence and sufficiency of supervisory review, including, but not limited to, the EICs.
 - Why issues with the quality of the examination were not identified and resolved by the supervisor.
2. If a department elects to use contractors to complete the supervisory review of the examination, the department should demonstrate involvement of appropriate department personnel (i.e., department designees) during the course of the examination in accordance with the Examiners Handbook and the department's policies and procedures. This should result in the department designee providing effective contractor oversight (e.g., status updates, budget oversight), as well as understanding and assessing the overall quality of the work performed.

Process-Oriented Guidelines:

1. All workpapers, including work performed by the EIC, should receive at least one level of supervisory review evidenced by sign off and dating by the reviewer.
2. The work of specialists should be reviewed by the EIC for familiarity and understanding.
3. The supervisory review (including department designee review) of planning (Phase 1 and Phase 2), including the Examination Planning Memorandum and risk matrices, should be done before work has begun in Phase 3. The review of planning should include each of the following:
 - Identification of key activities.
 - Identification and assessment of inherent risks.
4. The supervisory review (including department designee review) of Phase 3, Phase 4 and the first part of Phase 5 should be documented by a review of the risk matrices and any associated coaching notes or correspondence before any applicable substantive test work has begun. The review of Phase 3, Phase 4 and the beginning of Phase 5 should include each of the following:

- Identification and evaluation of risk mitigation strategies/controls.
 - Determination of residual risk.
 - Established detail examination procedures.
5. The primary supervisory review of workpapers should occur within a reasonable period after completion of the item being examined (generally two to four weeks).
6. Upon the conclusion of examination fieldwork, the Chief Examiner or designee should complete the general review outlined in the Review and Approval Summary exhibit of the Examiners Handbook (or substantially similar document) to ensure an appropriate depth of review has been performed.
- ~~6.7.~~ The examination report should be reviewed by at least one person other than the preparer.
- ~~7.8.~~ The examination report should be approved by the commissioner or the commissioner's designee prior to final issuance.

e. General Examination Procedures

Standard: The department's policies and procedures for the conduct of examinations should generally follow those set forth in the Examiners Handbook. Appropriate variations in methods and scope should be commensurate with the financial strength and position of the insurer.

Results-Oriented Guidelines:

1. The examiner should utilize a risk-focused approach and prepare examination documentation in sufficient detail to provide a clear understanding of the work performed. The content and organization of the documentation should support conclusions reached and effective execution of the risk-focused approach. When assessing compliance with this guideline, consideration should be given to the following:
 - Utilization of a risk-focused approach in establishing priority of accounts or operational areas.
 - The clarity and accuracy of the documentation used to support examination conclusions.
 - Extent of involvement with contract examiners if utilized.
 - Utilization of audit work when relied upon to support an identified risk.
 - Fulfillment of coordination efforts as determined by the state in Exhibit Z – Examination Coordination, and consistent with their role as described in the Examiners Handbook, for companies that are part of a holding company group with insurers domiciled in multiple states.

Process-Oriented Guidelines:

1. The examiner should prepare a Risk Assessment Matrix, or substantially similar document, that addresses each of the seven phases.
2. The examiner should prepare a planning memo that includes a discussion of each of the following:
 - Scope and objective of the examination.
 - Materiality assessment.
 - Results of the analytical review.
 - Results of the IT review.
 - Corporate governance assessment.
 - Results of the audit function assessment (internal and external), including review of external auditors' workpapers and reports.

- Summary of the key activities selected.
 - Scope of the prospective risk assessment procedures to be performed.
 - Intended reliance on work completed by auditors and accredited states (if applicable).
 - Exam staffing and time budgets.
3. If the company being examined is part of a holding company group with insurers domiciled in multiple states, the state should complete the appropriate section of Exhibit Z, Part Two (or similar document) as follows:
 - If the state is the exam facilitator conducting a fully coordinated group examination, Exhibit Z, Part Two, Section B (or similar document) should be completed.
 - If the state is a participating state in a fully coordinated group examination, the state should complete Exhibit Z, Part Two, Section C (or similar document).
 - If the state did not participate in a coordinated group examination or utilized existing work outside of a fully coordinated group examination, the state should complete Exhibit Z, Part Two, Section D (or similar document).
 4. The data supplied by the company or an outside source and utilized (relied upon) by the examiners should be tested for both accuracy and completeness in accordance with the respective residual risk assessment.
 5. The sampling techniques used should conform to guidance set forth in the Examiners Handbook or other appropriate authoritative guidance.
 6. If a department elects to utilize contract examiners, the department should demonstrate involvement of appropriate department personnel during the course of the examination in accordance with the Examiners Handbook and the department's policies and procedures.
 7. The department should utilize qualified EICs and department designees. The Examiners Handbook provides guidance on the authority, responsibilities and credentials for ~~a~~-qualified EICs and department designees. If the department utilizes an EIC who does not hold the CFE designation or is not directly supervised by someone holding the CFE designation, the department should document in the Financial Exam Electronic Tracking System (FEETS) when calling the exam how this individual is qualified to act in the capacity of an EIC on a multi-state insurer examination. Factors that may be considered include other professional designations, prior insurance experience, familiarity with the NAIC risk-focused surveillance process, etc.

Accreditation Program Manual
Review Team Guidelines | Part D

NAIC FINANCIAL REGULATION STANDARDS
AND ACCREDITATION PROGRAM

REVIEW TEAM GUIDELINES

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Part C: Organizational and Personnel Practices

...

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, including disclosure of any conflicts of interest and agreeing to maintain confidentiality of financial records, proprietary data and other sensitive information they may be exposed to while under contract.

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.
3. The department should have a process in place to consider any potential conflicts of interest among the contract personnel.
4. The department should have a process in place to ensure the contract personnel will protect confidential information like financial records, proprietary data and other sensitive information they may be exposed to while under contract.

Accreditation Program Manual
SEG/IAR Form | Part C

PART C: ORGANIZATIONAL AND PERSONNEL PRACTICES

Accreditation focuses primarily on a state's regulation of its domestic multi-state insurance companies. However, there may be states that do not have any domestic multi-state insurers that would like to be accredited. In those instances, the Part C: Organizational and Personnel Practices standards would apply to that state's domestic insurers as applicable. (See Policy on Accrediting a State with No Multi-State Insurers.)

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Organizational and Personnel Practices – continued

d) Use of Contract Personnel

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, including disclosure of any conflicts of interest and agreeing to maintain confidentiality of financial records, proprietary data and other sensitive information they may be exposed to while under contract.

	YES	NO
1. Does the department have a process in place to consider qualifications, training and professional development of contractors performing financial surveillance and regulation activities on behalf of the department?	_____	_____
2. Does the department have the authority to terminate a contract for services related to financial surveillance and regulation on the basis of poor performance?	_____	_____
3. <u>Does the department have a process in place to consider any potential conflicts of interest among the contract personnel?</u>	_____	_____
4. <u>Does the department have a process in place to ensure the contract personnel will protect confidential information like financial records, proprietary data and other sensitive information they may be exposed to while under contract?</u>	_____	_____
35. As a separate attachment, please briefly discuss the department's consideration for use of contractors to perform financial surveillance and regulation activities, such as the factors considered when selecting a contractor and how contractor performance is evaluated. <i>*If this is an interim annual review, only provide the department's consideration for use of contractors if there has been a change from the previous submission of this information, otherwise indicate "no changes".</i>		

Accreditation Program Manual

2026⁵ SELF-EVALUATION GUIDE | INTERIM ANNUAL REVIEW FORM

**FINANCIAL REGULATION STANDARDS
AND ACCREDITATION PROGRAM**

Check One:

- ☐ Self-Evaluation Guide
- ☐ Interim Annual Review
-

Jurisdiction _____

Prepared by _____ Title _____ Date _____

Commissioner's Approval _____ Date _____

Accreditation Program Manual
SEG/IAR Form

PART B1: FINANCIAL ANALYSIS

a) Sufficient Qualified Staff and Resources

The department should have the appropriate staff and resources to effectively and timely review the financial condition of all domestic insurers.

...

Financial Analysis – continued

YES NO

5. As a separate attachment, provide a list of all domestic multi-state insurers at year end, including RRGs licensed as captives. This listing should include the following:
 - Company name,
 - Type of insurer (L&H, P&C, etc.),
 - [Company code](#)
 - Group code ~~(full review only)~~,
 - The number of states in which the company is licensed, operates, registered, qualified and/or eligible,
 - The analyst [and/or contractor](#) assigned to the company,
 - The analyst's supervisor [and/or contract supervisor](#),
 - The date the preliminary analysis was completed for the annual statement (if applicable),
 - The date that the initial analysis was completed for the annual statement,
 - The date all supervisory review was completed for the annual statement,
 - [The date the department designee review of the IPS was completed for the annual statement \(if applicable\)](#),
 - The priority of the company,
 - [When completing in preparation for a full accreditation review, also include the following:](#)
 - Total assets ~~(full review only)~~,
 - Total capital and surplus ~~(full review only)~~,
 - Total direct written premiums ~~(full review only)~~,
 - Whether the insurer has been designated as financially troubled within the last five years ~~(full review only)~~, and
 - Whether the insurer has been insolvent or placed into receivership within the last five years ~~(full review only)~~.

PART B3: DEPARTMENT PROCEDURES AND OVERSIGHT

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Department Procedures and Oversight – continued

b) Procedures for Troubled Companies

The department should generally follow and observe the procedures set forth in the NAIC *Troubled Insurance Company Handbook*. Appropriate variations in application of procedures and regulatory requirements should be commensurate with the identified financial concerns and operational problems of the insurer.

Accreditation Program Manual

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3. Provide a schedule that separately lists those multi-state companies, including any RRGs licensed as captives, identified as financially troubled ([priority 1](#), as designated by the state) and those multi-state companies, including any RRGs licensed as captives, that are insolvent and subject to receivership procedures within the last five years. For each company listed, briefly document the following:
- Is the company considered nationally significant?
 - When the company was originally designated as financially troubled, including when appropriate department staff members were notified of the determination as to the financial condition of the company
 - Were specialists utilized to assist the department in its evaluation of the company?
 - Did the state enter orders and/or take action to monitor/control the company after it was identified as financially troubled (ex., more frequent reporting, RBC or corrective action plan)? Please discuss on a company-by-company basis.
 - Whether the department has performed an examination, limited or full scope, more frequently than once every five years, as outlined in the NAIC Model Law on Examinations. If not, please discuss why no such examination was deemed necessary.
 - Discuss whether/how the department has proactively communicated in a timely manner with other state insurance regulators where the insurance company is licensed, has a significant amount of written, assumed or ceded insurance business, has a significant market share, has an affiliate domiciled in that state, has pooled companies, or utilizes fronting entities, or where the domestic state is aware the company is either seeking to write business or is seeking a license.
 - [Is the company still financially troubled \(priority 1\) and if not, when did the priority change occur?](#)

PART C: ORGANIZATIONAL AND PERSONNEL PRACTICES

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Organizational and Personnel Practices – continued

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.

4. In a separate attachment, discuss the [staffing fluctuations](#)~~level of turnover~~ that occurred during the past year. [Include the following information:](#)
- [Name and position of staff no longer with the financial solvency monitoring areas \(analysis, exams, financial solvency senior management, licensing, etc.\).](#)
 - ~~The reason for the turnover, within the financial solvency monitoring staff, including the financial solvency senior management.~~
 - [How long they were with the department.](#)
 - [Name and position of interdepartmental moves \(promotions, new positions, etc.\), and](#)
 - [Name and position of any new hires.](#)

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SEG/IAR Form

PART D: PRIMARY LICENSING, REDOMESTICATIONS AND CHANGE OF CONTROL

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a) Sufficient Qualified Staff and Resources

The department should have the appropriate staff and resources to effectively and timely review applications for primary licensure of new companies and redomestications and Form A filings for all domestic insurers.

4. As a separate attachment, provide a listing of any L/H and P/C primary licensure applications and any multi-state L/H and P/C [redomestication applications](#) and Form A filings (whether approved or denied) received since the department's last full review. ~~Also include any multi-state L/H and P/C primary redomestication applications received Jan. 1, 2020 and after.~~ With that list, please include the following:
 - Name of person responsible for reviewing the filing,
 - Type of filing,
 - Date the filing was received,
 - Date the filing was reviewed for completeness,
 - Date the company was informed of licensure, approval/denial of the filing.
 - Whether the filing review was completed timely per department procedures, and
 - If the review was not completed timely, provide the reason.