March 29, 2014

RE: NAIC Advisory Organization Examinations

Dear Director Ramge:

We appreciate the opportunity to comment on the NAIC Advisory Organization Examination Standards. This is a follow-up to my comments made at the December 2013 meeting in Washington, DC.

I will be breaking my recommendations into two parts. The first, contained in the body of this letter includes procedural enhancements that would be helpful when conducting an exam. The second is provided in the attachment to this letter, entitled NCCI Proposed Enhancement on NAIC Handbook Standards (Chapter 25).

**Recommended Procedural Enhancements:**

| Memorandum of Understanding (MOU) | • How states are expected to close out the exam should be included  
| | • Title of state contact should be specified (last time around many people who signed-on to the exam were no longer at the states upon conclusion of the exam)  
| | • Advisory Organization available to assist in drafting MOU tailored to the specific exam  
| Participating States | • Defining lead states vs. participating states and their roles  
| | • When multiple states participate in an exam, need to establish which state is designated home state, so that state’s statutes will take precedence in decisions regarding exam practices  
| Training | • Advisory Organization would like the opportunity to provide an introduction training for the selected examiner team prior to the start of any exam  
| | • Training would include information on the Advisory Organization such as:  
| | o Functions  
| | o Roles  
| | o Establish streamlined process for receiving/responding to requests for information  
| | o Develop timeframes for turnaround of requests for information |
Access to Data

- Expectations on obtaining databases
- Acceptability of specified queries with reconciliation
- Carrier notice requirements
- Security measures

Examination Report (Report)

- Through the process of developing the Report, Advisory Organization should have the opportunity to verify the accuracy of recommendations and/or findings
- State sign-off process should be established in MOU (see above)
- Establish that if items from prior exams are included in scope of Exam, sign-off on current Exam also constitutes sign-off on past exam
- Need to establish a process for how recommendations and findings will be handled

The 2010 NAIC Multistate Exam went very well. Making these minor suggested enhancements would just ensure more efficiency when examining an Advisory Organization. Should you need any further information, please feel free to contact me.

Sincerely,

Mona T. Carter
Senior Division Executive
National Policy Development

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