

EXHIBIT Z

EXAMINATION COORDINATION

Holding company group examination coordination is an important element in conducting financial condition examinations. Many companies are members of groups or holding company systems having multiple insurers, and often more than one state of domicile. This exhibit should be used when the group includes multiple companies with more than one state of domicile. These affiliated companies often share common management along with claims, policy and accounting systems, and participate in the same reinsurance arrangements. To improve examination efficiencies, the designated coordinating state should take a leadership role in communicating with the other states within a group to identify companies for coordinated examinations, identifying areas in which work may be leveraged to prevent duplication, and improving the use of resources. However, even though coordinating states are required to take a leadership role in this process, all states have a responsibility to communicate with other states within a group to facilitate coordination. An attempt should be made to coordinate all companies within a holding company group unless there are valid reasons for scheduling examinations of companies within a group at differing times. However, coordination efforts should take into account state statutes and the NAIC accreditation requirements regarding the frequency of full-scope examinations. States must be sure to comply with state statutes and the NAIC accreditation requirements when coordinating examinations. In situations where coordination of examinations is not possible, it may still be possible to share confidential information.

This exhibit should be utilized to adequately document examination coordination efforts to ensure that adequate communication occurs and methods to increase examination efficiencies are identified. Correspondence regarding examination coordination and measures to increase examination efficiencies should be on-going. Documentation of all coordination efforts occurring during the initial phases of an examination, as well as those efforts occurring prior to the actual start of the examination, should be included in the examination workpapers or in the Department's files. Part One of this exhibit should be sent by the Coordinating State to holding company group personnel well in advance of the performance of any planning work on the group examination, which includes calling the exam and sending the Examination Planning Questionnaire (Exhibit B). Part Two of this exhibit should be completed in the early stages of planning the examination to document the attempt to coordinate.

PART ONE – INPUT FROM HOLDING COMPANY GROUP PERSONNEL

The coordination of financial examinations for insurers within holding company groups is beneficial to state regulators as well as the companies being examined. In order to assist examiners and to create exam efficiencies for both company personnel and state examiners, information about the companies that comprise a holding company group is needed. Based on the information below, the holding company group should provide input to state regulators on several items that provide regulators with a high-level understanding of the interactions of companies in the holding company group. At least initially, holding company groups that are currently satisfied with the overall coordination of exam efforts within their groups will only need to submit this information if specifically requested by state regulators. When completing the exhibit, the group should first consider which state they believe is in the best position to be the managing coordinating state over the entire group for financial exam purposes. Next, the holding company group should provide input on whether subgroups for financial exam purposes are appropriate. If so, the group should provide information detailing how it could be broken out into those subgroups for this exam period. For example, a holding company group is comprised of eight insurance entities which include five companies writing health insurance and three writing life business. This group may be separated into two subgroups based on the information discussed above, one for the health companies and one for the life companies. The group should also provide input on an exam coordinating state for each subgroup created. All of the recommendations discussed above should have supporting documentation provided to the Financial Examiners Coordination Working Group. Members of the Working Group will then decide if the recommendations are appropriate or if adjustments should be made. The holding company group should provide input as to whether a coordinated exam(s) makes sense given the unique characteristics of a particular group.

At a minimum, the holding company group should provide information on each of the four key topics discussed below to assist regulators when scheduling exams of the group. Examples of information that the group may consider when providing input to state regulators for each key topic are also provided. The examples listed below are optional pieces of information the group may provide for each of the key topics. This list is not all-inclusive and the holding company group should consider any other sources of information that they believe would be beneficial to the regulators in scheduling and coordinating group exams. Although the examples are kept at a high level in order to apply to all groups in some fashion, the information gathered by company personnel should provide sufficient evidence and detail to assist regulators in determining the best way to coordinate exams for a holding company group.

1. Group Corporate Governance
 - Organizational chart of the group (Exhibit Y of Annual Statement) including ownership percentages shown and any significant changes notated
 - Company organizational charts with director's names for each legal entity explaining which Board(s) of Directors and Committees oversee which entities and/or holding companies
 - A general written description of how the board of directors is involved in the decisions made with respect to the insurance operations
2. Risk Management/Decision Making
 - Similarities and differences in lines of authority and communication (including senior management and board of directors) for group/company operations
 - To facilitate more effective and focused interviews of management
 - Risk management and decision making levels for the group
 - Financial plans and management concerns and risks for each legal entity
 - Similarities and differences of risk management between companies
 - Internal audit program over multiple companies

3. Key Functional Activities and Processes

- “Mutual service” departments or business units that service multiple companies within the group (e.g. IT, accounting, investments, claims handling, premium processing, executive, etc.) including centralized functions in place across the legal entities
- Similarities and differences of significant processes and operations within the group including markets, distribution channels, internal controls
 - Could include documentation from Model Audit Rule or Sarbanes-Oxley requirements such as a description of the “Group of Insurers” determined for purposes of Model compliance
 - This information should be presented in a well organized and easy to follow manner, as similar processes will serve as the primary areas where coordinated examination of systems and processes can occur among the states.
- Location of books and records for each insurer
- Information on significant agreements and transactions with affiliates

4. Computer Systems

- Listing of common administration and IT systems used by multiple or all companies in the group including flowcharts and locations
 - Names of experts who manage these systems
 - Location(s) of systems
 - System controls and applications/processes
 - Could be broken out by \$ and % of total processed (e.g. 25% of claims processed in KC, 75% in NYC)