

CLASSIFICATIONS, MINIMUM QUALIFICATIONS AND SUGGESTED COMPENSATION FOR EXAMINERS

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National Association *of* Insurance Commissioners

CLASSIFICATION, MINIMUM QUALIFICATIONS AND SUGGESTED COMPENSATION FOR EXAMINERS

1. Authority and Responsibility of the Examiner-in-Charge

A person shall only be eligible to be the examiner-in-charge of an examination of a multi-state insurer if such person holds the certification of Certified Financial Examiner (CFE) from the Society of Financial Examiners or be directly supervised by someone holding the CFE designation. The examiner-in-charge has the following authority and responsibilities:

1. Planning the examination
 - a. Oversee the risk-focused surveillance process by identifying risks and the company's processes to assess those risks;
 - b. Develop initial written plans;
 - c. Update written plans periodically to reflect progress;
 - d. Advise all other examiners of all current examination developments;
 - e. Confer with all other examiners on all major examination problems on a current basis;
 - f. Coordinate with specialists utilized in the examinations (i.e., IT examiners and independent actuaries).
2. Supervision of examiners, including non-domestic participating examiners
 - a. Supervise the conduct of the examination;
 - b. Allocate work assignments;
 - c. Review each examiner's work plan and revise where necessary;
 - d. Monitor progress against plans regularly and initiate necessary corrective action to ensure the examination is completed in a timely and professional manner;
 - e. Ensure professional conduct of examiners;
 - f. Review each examiner's workpapers to see that they support the examiner's conclusions and findings;
 - g. Prepare and deliver performance reviews of domestic examination staff and non-domestic participating examiners on a timely basis;
 - h. Monitor the hours worked vs. the budgeted hours.
3. Report to an appropriate level supervisor regarding a non-domestic participating examiner whose performance does not meet expectations.
4. Maintain liaison with company management
 - a. Conferences or other communications with company officials, except regarding minor matters, should be made only with the full knowledge of all non-domestic participating examiners.
 - b. The hours during which an examination should be conducted shall, except where different hours are prescribed by the state department in charge of the examination, correspond as closely as possible to the working hours of the company being examined.
5. Provide for the security of company records and information
6. Prepare examination report
 - a. Develop report in consultation with all other examiners before completion of fieldwork;
 - b. If a disagreement among the examiners (including the examiner-in-charge) cannot be resolved (e.g., by the procedure established in Part VII H. – Coordination of Examination Reports on Multi-state Insurers and Resolution of Report Conflicts in Section 1 of the Handbook), include in the report the comments of the dissenter(s) and indicate which are the majority and minority opinions. (If there is an even split of opinion, so indicate.);

- c. The preparation of examination report should be developed in consultation with all other examiners. (The examiner-in-charge or domiciliary state insurance department shall not change or amend a final work copy of any examination report on a multi-state insurer without prior advice, consultation and approval of the non-domestic participating examiners.)

7. Maintain summary of actual hours spent on each examination activity

8. Conduct the examination in a manner consistent with the standards set out in 2.3 – 2.5

2. Duties and Responsibilities of Non-Domestic Participating Examiners

A person shall only be eligible to represent a zone on an examination of a multi-state insurer if such person has been certified by the Society of Financial Examiners as either an Accredited Financial Examiner (AFE) or a Certified Financial Examiner (CFE). The non-domestic participating examiners have the following authority and responsibilities:

1. Cooperate with the examiner-in-charge and other examiners in the conduct of the examination:
 - a. Assume responsibility to perform the duties assigned to examiner by the examiner-in-charge;
 - b. Take an active interest in the examination as a whole; and
 - c. Inform the examiner-in-charge of examination developments on a current basis.
2. Make appropriate arrangements with examiner-in-charge for carrying out specific instructions given to the examiner and for obtaining specifically requested information.
3. Devote full time to examination duties and responsibilities.
4. Adopt the rules of conduct established for the examination team.
5. Observe professional standards of conduct free from any impropriety in fact and appearance, and avoid any situations or circumstances that may reasonably appear to influence independence, judgment or discretion.
6. Respect the confidentiality of information developed or received during the course of an examination.
7. In addition to performing duties assigned by the examiner-in-charge, perform such other work as the examiner deems necessary to obtain assurance that major solvency risk areas, specific concerns expressed by the zone he/she represents, and other concerns arising during the examination have been addressed in the examination. This objective can normally be met by reviewing work performed on key activities of the company. (Note that the non-domestic participating examiner should not duplicate the work of the examiner-in-charge.)
8. In addition to performing duties assigned by the examiner-in-charge, review other work as the examiner deems necessary for a fair and complete examination.
9. Prepare dissenting opinions, if any, for inclusion in the examination report with respect to each issue the examiner deems significant and which is not reflected in the majority report.
10. Upon completion of the examination, the non-domestic participating examiner should proactively communicate the examination findings and conclusions to the other states within his/her zone.
11. All examiners should comply with the universal confidentiality agreements enforced in their respective state(s).

12. Typically, the non-domestic participating examiner should remain on the examination until the significant examination areas have been completed and all of the major examination issues have been addressed. However, this procedure may be varied for justifiable reasons. Signed signature sheets may be left with the examiner-in-charge if the non-domestic participating examiner leaves the engagement prior to having a copy of the rough draft of the report.
13. Any major difference arising during the course of an examination that is not resolved after thorough discussion with the examiner-in-charge and the participating examiners should be reported to the examiner's chief examiner and zone secretary by the examiner involved.

3. Examiner Definitions and Qualifications

Insurance Company Examiner

An Insurance Company Examiner shall meet and continue to meet the qualifications set forth below:

- (a) An Insurance Company Examiner shall be: (i) an insurance department employee, or (ii) self-employed, exclusively or primarily as an Insurance Company Examiner, on a contract basis with an insurance department; and
- (b) An Insurance Company Examiner shall be: certified by the Society of Financial Examiners (SOFE) as an Accredited Financial Examiner (AFE); or Certified Financial Examiner (CFE). An AFE or CFE must meet and continue to meet all conditions of SOFE necessary to be eligible to hold the title of AFE or CFE, including but not limited to SOFE's experience requirements, successful completion of required SOFE examinations, SOFE's continuing education requirements, compliance with SOFE's Code of Ethical Conduct, and payment of SOFE fees relating to maintenance of such continuing certification.

Automated Examination Specialist* (Information Technology (IT) Examiner)

*The position of Automated Examination Specialist is a synonym for IT Examiner and is not necessarily related to the SOFE's AES designation.

An IT Examiner is an examiner who is responsible for coordinating, directing and implementing the automated portion of an examination and evaluating the controls of an insurer's information technology.

An IT Examiner shall meet and continue to meet the qualifications set forth below:

- (a) An IT Examiner shall be: (i) an insurance department employee, or (ii) self-employed, exclusively or primarily as an IT Examiner, on a contract basis with an insurance department; and
- (b) An IT Examiner shall have sufficient knowledge, background and experience to perform the IT portion of a financial exam, given the sophistication and complexity of the insurer's IT environment. This may include, but is not limited to, obtaining certifications such as SOFE's Automated Examination Specialist (AES) or the Certified Information Systems Auditor (CISA), sponsored by the Information Systems Audit and Control Association (ISACA).

Senior Insurance Examiner

A Senior Insurance Examiner shall meet and continue to meet the qualifications set forth below:

- (a) A Senior Insurance Examiner shall be: (i) an insurance department employee, or (ii) self-employed, exclusively or primarily as an Insurance Company Examiner or Senior Insurance Examiner, on a contract basis with an insurance department; and
- (b) A Senior Insurance Examiner shall be: certified by the Society of Financial Examiners (SOFE) as a Certified Financial Examiner (CFE). A CFE must meet and continue to meet all conditions of SOFE necessary to be eligible to hold the title of CFE, including but not limited to SOFE's experience requirements, successful completion of required SOFE examinations, SOFE's continuing education

requirements, compliance with SOFE's Code of Ethical Conduct, and payment of SOFE fees relating to maintenance of such continuing certification.

Insurance Examiner-In-Charge

An Insurance Examiner-In-Charge is an examiner who is responsible for the report, coordination and direction of the examination of a domestic insurer, including a non-domestic participating examiner from an accredited state, who is responsible for completing an affidavit of participation, on a non-accredited state's examination. (Note: Does not include other non-domestic participating examiners.) See part 1 above for qualifications.

Supervising or Administrative Examiner

A Supervising Examiner must be a CFE, have a minimum of 10 years experience examining insurance companies and supervise more than one examination of multi-state insurers concurrently.

4. Salary and Per Diem Guidelines

Salary and per diem charges are to be computed beginning at the time of reporting for duty at the office of the company to be examined and terminating upon completion of the examination or the examiner's active participation therein and to include actual days for travel as certified by his or her commissioner.

A. Suggested Compensation:

The proposed competitive salary schedule for all examiners is as follows:

<u>Classification</u>	<u>Daily Rate</u>
Insurance Company Examiner, AFE	\$270.00
Automated Examination Specialist, AFE (no AES)	\$331.00
Senior Insurance Examiner, CFE	\$331.00
Automated Examination Specialist, AES or similar designation	\$372.00
Automated Examination Specialist, CFE (no AES)	\$372.00
Insurance Examiner In-Charge, CFE	\$397.00
Supervising or Administrative Examiner	\$422.00

B. Transportation:

The NAIC has adopted the use of CONUS reimbursement rates in relation to per diem payments. The CONUS rates can be found through the following Web link:

<http://www.gsa.gov/portal/category/21287>

Examiners shall not be reimbursed for travel time or travel expenses not actually incurred in connection with an assignment.

Air Travel – Only one day of travel time will be authorized.

Land Travel – Travel time is expected to be no more than 400 miles per day.

Actual mileage will be compensated at the rates set forth by CONUS.

C. Illness & Holidays

On days which examiners are absent due to sickness or any other cause, no salary charge should be made to the company, provided the company is open for the normal transaction of business. If the examiner is available for work on site or on any national holiday or any other day that the company has optionally closed for business, he or she shall be allowed salary and per diem allowances for that particular day.

Examiners shall not be reimbursed for dual living expenses while on branch office assignments.

D. Maximum Reimbursement

Effective January 1, 2000, the lodging CONUS rates adopted by the General Services Administrations (GSA) and distributed by the NAIC did not reflect the reimbursable room taxes for the U.S. and the U.S. territories. Under the GSA requirements, these taxes are separately reimbursable. This change was made by the GSA as a result of several lodging establishments setting their room rates in accordance with the maximum per diem amount and then adding lodging taxes to that amount. Per the GSA, the new method of having taxes excluded from the per diem amount will assure U.S. travelers that they will most likely be properly reimbursed for lodging costs. (Per diem rates for foreign countries continue to include the reimbursable lodging taxes.)

As an example, the city of Chicago, Illinois may have a maximum per diem amount for lodging of \$155. Therefore, the actual reimbursable amount for lodging would be \$155 plus the actual room taxes paid. If state and local lodging taxes equal 17.5% of the room rate, then the actual reimbursable amount would be \$182.13 (\$155 for lodging plus \$27.13 for lodging taxes). The GSA currently does not have any restrictions on the reimbursable lodging taxes.

Lodging expenses should be supported with actual receipts. A meal allowance should be paid on a basis consistent with the CONUS rates. In lieu of the above, it is recommended that examiners working within a 50-mile radius of their official domicile receive a commuting allowance.

Necessary exceptions or clarifications to the preceding should be directed by the commissioner of the state employing the examiner consistent with the intent of this policy.

E. Official Domicile

It is recommended that examiners be authorized to return to the official domicile every other weekend. Expenses will be paid based upon the lesser of airfare or mileage. This reimbursement is made in lieu of the per diem allowance. It is understood that the travel will be done with a minimum amount of work time lost.

F. Insurance Department Examinations

All payments covering insurance department examinations shall be made directly to the home state of the examiner, if consistent with the laws and fiscal procedure of such state.

G. Statutory Provisions

The foregoing shall be subject to the statutory provisions in any state governing compensation and expenses of department examiners representing such state.