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Dear Working Group members:

I commend the working group in creating an excellent tool for examiners and for the benefit of all stakeholders.

I commend the acknowledgement of other risk management frameworks. However, it may be helpful to mention the Solvency II three pillar "framework" and the EIOPA Guidelines on Forward Looking Assessment of Own Risks, since many U.S. insurers have European parents and the U.S. will accept the parent group ORSA. Although these are not risk management frameworks, it may be helpful for examiners and analysts to be familiar with these concepts when reviewing a European parent ORSA.

I suggest reversing the order of the six maturity levels under each of the five Key Risk Management principles so that each one builds upon the previous one. Instead of beginning with Level 5 Leadership, begin with Level 0 Non-existent. Then beginning with Level 2, The assessment criteria should state, to attain a level 2 assessment the insurer should have the various attributes/traits associated with maturity Level 1, plus....(keep the description of Level 2 attributes). Level 3 should begin with stating the insurer may have all the attributes described in Levels 1&2 plus ....(insert attributes for level 3). And so on. This way each Level builds on the previous Level in logical order to achieve the highest Level. The point being you can't just have the attributes listed under Level 5 and achieve a Level 5 without having the attributes in level 1-4. Although perhaps this concept is implied, it may be more helpful if clearly stated.

I recommend the guidance specifically delineate that an assessment of how well an insurer identifies, measures, monitors, develops a risk appetite and risk limits for each key risk category before a conclusion is made on the maturity Level of the Risk Identification and Prioritization principle and the Risk Appetite, Tolerances and Limits principle.

I believe an accurate assessment of the Risk Identification and Prioritization principle cannot be formulated without assessing how well an insurer identifies, measures and monitors its key risks. For example, does an insurer have credit risk identified in their risk assessment, does it include all sources of credit risk and how well is credit risk
quantified. I think it is the intent of this document to conduct such an assessment, but the individual risk category section and assessment follows the five key risk principles section and has its own assessment conclusions. The nine risk category section and assessment should be done within or before the Risk Identification and Prioritization maturity Level assessment. The individual risk category assessment also spills over into the Risk Appetite, Tolerances and Limits principle, as each risk category may have an appetite range and limit.

Lastly, I suggest adding Reinsurance Risk, Financial Reporting Risk, Emerging Risk and Regulatory/Compliance Risk to the nine risk categories or as examples of other risks. Although risk categories vary by insurer, these categories should be significant risk categories for most insurers.

Sincerely,

Tim Nauheimer, Chief Risk Officer