Introduction:

The INS Companies are pleased to provide comments concerning the Financial Condition Examiners Handbook Revisions issued June 13, 2014, by the Financial Examiners Handbook (E) Technical Group. First, we would like to thank the working group and NAIC staff for all their hard work.

The proposed revisions covered two areas. Our comments follow.

ORSA Analysis Guidance:

We have no comments concerning the proposed guidance in this area.

ORSA Exam Guidance:

- There does not appear to be a required completion date for the ORSA report submission or the lead state review. We suggest that due dates be included within this guidance as financial examination planning incorporates both the ORSA report and lead state review of that report.

- Guidance should be included to clarify what steps should be taken if the lead state has not completed the ORSA review and updated the insurer profile.

- On Page 1 the guidance says “Lead State regulators may assess stresses applied to individual risks in Section II as appropriate, but may not feel stresses are appropriately aggregated to
determine an adequate group capital assessment in Section III. Therefore the review and assessment of each section requires a full understanding of each of the other sections and Lead State regulators should exercise caution in the allocation of review responsibilities in this area.” Please define “allocation or review responsibilities” and include specific examples.

- On Page 2 the guidance says “The Lead State examiner’s assessment should utilize existing assessments of the insurer’s risk management framework performed by the Lead State financial analyst through a review of the ORSA Summary Report, but should supplement the Lead State analyst’s assessment with additional onsite verification [emphasis added] and testing to reach a final conclusion.” This indicates that a target examination is necessary to assist in the ORSA evaluation by the analyst. Is our understanding correct?

- On Page 4 the guidance says “During an onsite examination, the Lead State examiner is expected to supplement this initial assessment with additional procedures to verify the reported information and test the operating effectiveness of the company’s risk management processes and practices. Upon concluding these procedures, the Lead State examiner should reach their own assessment regarding each of the five principles, which should be utilized to adjust the scope of the risk-focused examination and communicated back to the Lead State financial analyst for ongoing monitoring and adjustment of the supervisory plan.” We feel that “Exhibit A Examination Planning Procedures Checklist” and “Exhibit AA Summary Review Memorandum” should be modified to reflect this guidance.

- On Page 16 the guidance says “Expectations may warrant the Lead State conducting a limited-scope examination or expanding the examination procedures in Section III to perform additional testing or validation of the internal models used in group capital calculations.” Please expand on the meaning of “expectations.” This portion of the guidance addresses some international concerns. Is the guidance indicating that a target examination on ORSA or full scope examination should be performed in preparation for a Supervisory College meeting?

- On Page 22 the guidance within the table suggests that reliance on the ERM framework and related controls be based on the maturity level of the ERM framework. There is no mention of testing that ERM framework and related controls within that table. Is the guidance suggesting that the ORSA ERM framework assessment can replace control testing?

It has been our pleasure to provide the foregoing comments. Should you have any questions or wish to discuss these comments further, please contact Pat Casey Davis at pcasey@insris.com or 239-673-7716 or Barry Armstrong at barmstrong@insris.com or 267-239-8914.