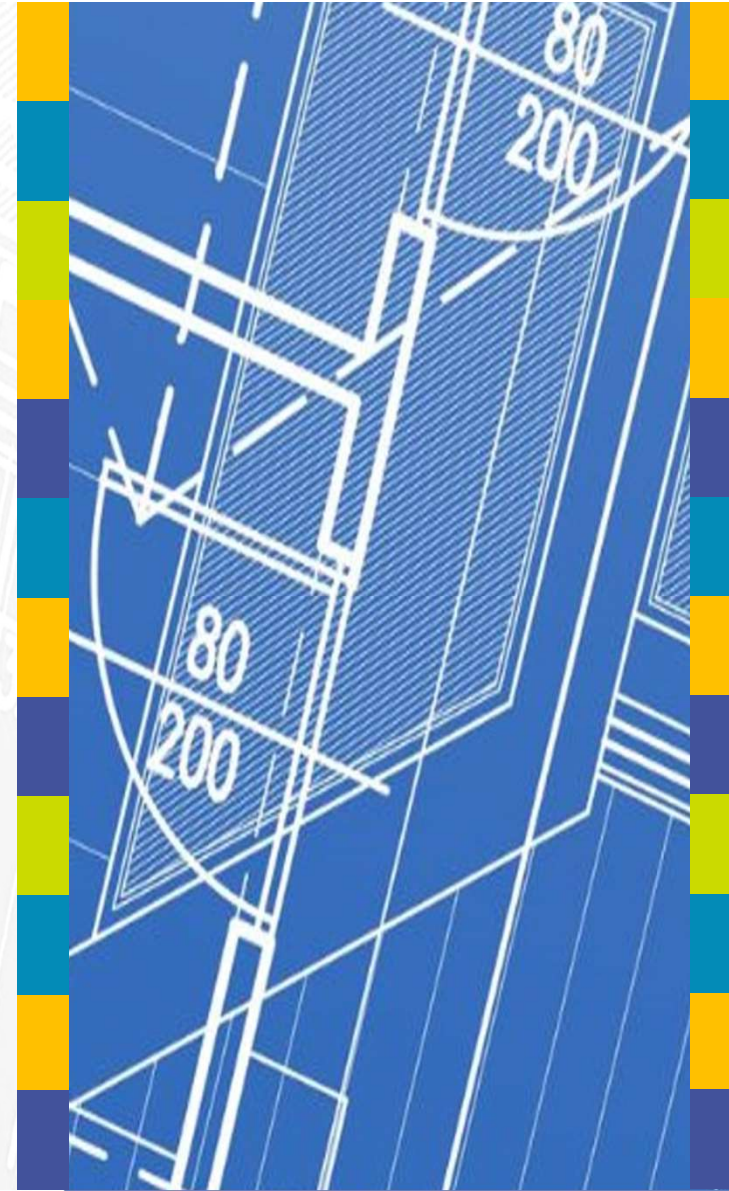**2024 CFTC**

LIFE INSURANCE COMPANY STATE INSURANCE REGULATORY EXAMINATION PROCESSES

#strongfoundation #cftc24

The Compliance & Ethics Forum for Life Insurers

FACULTY

CHRISTOPHER FEDOSH

VP, HEAD OF REGULATORY EXAMINATIONS

GLOBAL ATLANTIC FINANCIAL GROUP

JASON SWEENEY

SENIOR COMPLIANCE REPORTING CONSULTANT

SAMMONS FINANCIAL GROUP

AGENDA

- MCAS & Market Analysis
- Exam Methodologies & Types
- Notice of Examination– Pre-Exam
- Exam
- Post-Exam
- Common Impediments to Timely Exam Completion
- Exam Etiquette
- Final Thoughts

MCAS & MARKET ANALYSIS

The Compliance & Ethics Forum for Life Insurers

REGULATORS' MARKET ANALYSIS: ALPHABET SOUP

Market Analysis Prioritization Tool (**MAPT** on NAIC iSite+)

State Collaboration (**MATS**, Bulletin Boards, **MAWG**, etc.)

Market Analysis Chief (**MAC**)

Collaborative Action Designee (**CAD**)

Market Conduct Annual Statement (**MCAS**)

MARKET ANALYSIS: WHAT IS MCAS?

Filed by life insurance companies for use by regulatory authorities

Contains data (e.g., ratios) pertaining to life insurance company operations

Regulators use MCAS data to determine "outliers" to examine

EXAM METHODOLOGIES & TYPES

Exam Methodologies & Types

Exam Methodologies

- ✓ Desk

- ✓ Onsite

- ✓ Market Analysis: Level 1 & Level 2 (MARS, MCAS, etc)

Types of Exams

- ✓ Targeted

- ✓ Comprehensive

- ✓ "Hybrid"

- ✓ Statutory

- ✓ Multi-Jurisdictional

NOTICE OF EXAM
PRE-EXAM

PRE-EXAM

Most of what you need to know is in the pre-exam notification

- What type of exam?

- Who are the examiners? State employees? Contractors?

- When is the exam scheduled to begin? Where will it be performed?

- If you are confused– pick up the phone

Offer alternatives- Continuum

Housekeeping– Timing, Budget, Travel Policy, etc.

Information Security: Use Secure File Transfer Portals

Compliance Fundamentals Training Conference

PRE-EXAM

Investigate

★ Review your internal data– Complaints, MCAS, etc.

★ Review previous examination reports for your company and validate that criticisms are no longer a concern

★ Review the DOI's website for Examination Reports and Enforcement Penalties

★ Consider contacting your domestic regulator

★ Determine whether you need to consider engaging local counsel

PRE-EXAM

Inform Leadership and Key Stakeholders

IT Stakeholders for Data Files:

— Project Manager?

— Identify impacted systems

— Obtain clarification and file layout approval

— Data mapping

— May/may not want your IT stakeholders to meet with examiners

— If unsure what the examiners want, ask (strategic) questions

PRE-EXAM

Select an Examination Coordinator

- ✓ People Skills

- ✓ Detail Oriented

- ✓ Knows the company

Examination Coordinator Goals

- o Reduce the time it takes to respond to requests

- o Reduce the length of the exam

- o Reduce regulatory costs– exam fees

- o An accurate Examination Report

PRE-EXAM

Pre-Examination Materials

Ensure:

- ❑ accurate

- ❑ organized

- ❑ timely

Negotiate a rolling production if necessary

DURING THE EXAM

EXAM

Tracking Log for pre-examination requests, on-site requests, samples, and criticisms:

❖ Manage the timeliness of responses and request extensions when needed

❖ Escalate internally, if necessary

All regulatory requests should go through Coordinator

EXAM

Mark your submissions with appropriate confidentiality disclosure

Meet regularly with the Examiner in Charge & Exam Team to review status

Review responses/samples to self-identify concerns:

- ♦ Consider discussing concerns with examiners

- ♦ Have a solution– corrective action to self-identified concerns

- ♦ Potential exclusion of a self-identified concern from Report

- ♦ If not excluded, may change the presentation in the Report

- ♦ Regularly communicate with stakeholders

EXAM

Learn the applicable law– do not assume the examiners know the law

Don't assume you know the law:

▷ Pull the law and review it

▷ Speak with your Legal team, if needed

What to do if an examiner violates company policy

EXAM

Multiple Approaches on Examiner Access to Systems:

- ▣ Explore what works for your company and the exam team

- ▣ Read access and provide training

- ▣ Have the examiner sit with the processors

- ▣ Share screen with the examiner

- ▣ There may be limitations with HIPAA-covered policies

AND AFTER

POST-EXAM

Closing Conference

Understand the process for closing the examination

▶ Is there an appeal process?

▶ Ask questions:

▶ What could I do better?

POST-EXAM

Review the draft Exam Report and any Consent Orders:

- Public record and can be used in litigation

- Imperative that language is factually correct

Robust Corrective Action Tracking Platform:

- Verify implementation

- Need to test the corrective action for effectiveness

Common Impediments To Timely Exam Completion

COMMON IMPEDIMENTS

Providing bad, incomplete, or wrong data in data calls

— Bad or incomplete data will result in delays and a need to resubmit the data

— Ensure files are well-organized– the examiner is not familiar with your company's paperwork

— Quality test data before providing

COMMON IMPEDIMENTS

Providing incomplete or inaccurate responses to inquiries

- ✓ Review all responses for completeness & accuracy prior to submitting them

- ✓ Request extensions when necessary

EXAM ETIQUETTE

cefli

EXAM ETIQUETTE

Provide adequate work facilities for the examiners

An exam doesn't have to be adversarial

The Examiner-in-Charge is your point of contact for the exam until you are told otherwise– or unless a serious issue arises

All communications should go through the Examiner-in-Charge

If you need to escalate, communicate with the Examiner-in-Charge first

Compliance Fundamentals Training Conference

FINAL THOUGHTS

Final Thoughts

Positive & effective communication during the pre-exam conference and during the exam will accelerate completion and keep costs down

Communicate **Communicate** **Communicate**

Compliance Fundamentals Training Conference

QUESTIONS?