

April 24, 2007

Mr. David DelBiondo, Chair
Risk Assessment Implementation Subgroup
NAIC Risk Assessment Working Group
National Association of Insurance Commissioners
2301 McGee, Suite 800
Kansas City, Missouri 64108-2604

RE: Risk-Focused Examination Maintenance Agenda Process - Industry

Dear Mr. DelBiondo:

Invotex Group is pleased to submit its comments on the exposure draft of the Risk-Focused Examination Maintenance Agenda Process – Industry.

As we understand the proposed draft, it aspires to provide for an open and transparent forum in which issues that interested parties may have with the risk-focused examination process and guidance included in the Financial Condition Examiners Handbook would be brought forward – formally or informally – and considered by the Risk Assessment Implementation Subgroup (RIMS) for appropriate action. Issues that are accepted by RIMS for consideration would then be monitored and tracked to some appropriate resolution or disposition, much like the process that is currently in place for issues that come before the Blanks Working Group.

It appears to us that the process as currently proposed will provide an adequate framework where any party can bring an issue forward for consideration by RIMS. What is still unclear to us from the proposed draft is, once an issue is on the table, what is the best way to address it? By continuing the analogy with the Blanks Working Group, issues before that body involve the application of technical language much of which has been previously subjected to a high degree of prior review and comment, e.g., GAAP accounting literature that is being considered as applicable to statutory accounting for insurers. In other words, technical refinements for which a Blanks-like process appears suitable. In contrast, and at least in the short term, we believe that many of the issues that will come before RIMS will be more conceptual in nature and may require much more discussion at a theoretical level.

In a comment letter to the NAIC dated May 4, 2006 relative to the then-proposed risk-focused examination guidance, I had suggested the following:

“With regard to the deployment, we are reminded of some other experiences that may be helpful to the RAWG to consider going forward. After passage of the

Sarbanes Oxley Act of 2002, a number of professional services firms and other organizations held small discussion groups or “round table” meetings to share implementation experiences. Those events were instructive to all participants in helping to identify implementation issues, their implications, and possible best practices as well as pitfalls to avoid. It appears to us that similar events would be very helpful as the risk based approach is deployed. In this manner, field experience with the new guidance can be quickly obtained, evaluated, and where necessary, additional or revised guidance can then be more quickly developed, focused, and disseminated. With respect to this notion of “round tables,” we also strongly suggest that industry representatives and consultants be invited to participate...”

We continue to believe that something akin to these round table discussions, used in conjunction with the proposed Maintenance Agenda Process to surface, triage and elevate issues to the attention of the Subgroup, will be a fruitful way of exploring the more conceptual issues that are sure to arise as the various states gain experience with the new risk-focused guidance. We also continue to believe that the involvement of non-regulators on the round table(s) will provide for additional knowledge and perspective that will significantly aide the process, while recognizing that it is the regulatory members who hold the voting privileges. In some respects, the NAIC/AICPA Working Group may serve as an apt model, where both regulators and non-regulators sit at a common table to discuss emerging issues.

An additional concern is confidentiality. We do not believe that company-specific matters should be handled through the proposed process or at the NAIC; they are for discussion between a company and its regulator. But consider a company that has an issue with how the risk-focused examination methodology might be applied to reputational risks; just asking the question may suggest to the subgroup and/or the open meeting audience that there is a reputational risk issue of some significance involving that company. Therefore, we believe that there should be a mechanism whereby issues can also be brought forward for discussion on an anonymous basis at the discretion of the submitting party.

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We hope that you will find these comments helpful. I would be glad to respond to any questions you or the subgroup may have or provide further information. I also plan to attend the NAIC quarterly meeting in June in San Francisco and would be glad to further explain these comments and respond to questions from the subgroup at that time.

Sincerely,



A. Thomas Finnell, Jr.
Managing Director