The Missouri Department of Commerce and Insurance, pursuant to its authority under § 374.205 RSMo. and 20 CSR 100-8.014, conducted an evaluation of American Association of Insurance Services (AAIS) for market regulation purposes in September of 2022.
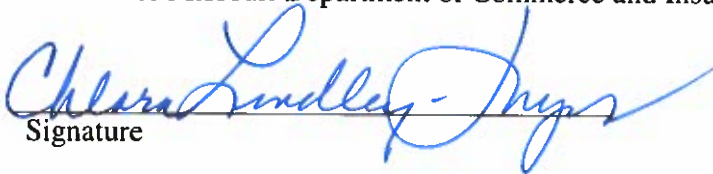
The evaluation consisted of: a review of the Organization's processes and procedures in place during the period of the Examination, including but not limited to, the preparation of loss cost filings; rules, forms; operations/management; statistical plans; regulatory licenses or other authorization; data receipt and controls; processing, editing and compilation procedures; error handling and related correspondence with reporting insurers; report submissions to regulators, as well as compliance with Chapter 29 and its Appendices F and G, and selected sections of Chapter 20 of the NAIC Market Regulation Handbook ("the Handbook").

Based on the results of the procedures performed, as documented in Chapter 29 of the NAIC's Market Regulation Handbook, and the knowledge and experience of its staff, the Illinois Department of insurance has recommended three areas for improvement for American Association of insurance Services (AAIS) to address:

- The actuarial examiner found that AAIS is still challenged to produce loss cost filings on a regular, annual basis for each line of business. The examiner recommends that AAIS continues to address this deficiency and strives to decrease the amount of time between loss cost filings.
- While AAIS segregates the IT department functions (development vs. operations) in its daily ongoing activities, the examiner recommends AAIS becomes truly independent of the operating units for which it performs data processing functions.
- The examiner recommends AAIS uses one tool to track IT activities, to further minimize the risk of management or reporting inconsistencies of IT activities across a combination of tools.

The Missouri Department of Commerce and Insurance reserves the right to revisit these conclusions and perform additional review considering new information. The Missouri Department of Commerce and Insurance further reserves the right to proceed with its existing investigation of AAIS, Investigation #397061, and to take all lawful measures to resolve the issues raised in that investigation.

I hereby certify the above information is accurate and that I am authorized to execute this document on behalf of Missouri Department of Commerce and Insurance.

Signature

Chlora Lindley-Myers
Print Name

Director
Title

October 24, 2022
Date

The Illinois Department of Insurance, pursuant to its authority under Articles IX, XXIV, and XXVI, Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code, conducted an evaluation of American Association of Insurance Services (AAIS) for market regulation purposes in September of 2022.

The evaluation consisted of: a review of the Organization's processes and procedures in place during the period of the Examination, including but not limited to, the preparation of loss cost filings; rules, forms; operations/management; statistical plans; regulatory licenses or other authorization; data receipt and controls; processing, editing and compilation procedures; error handling and related correspondence with reporting insurers; report submissions to regulators, as well as compliance with Chapter 29 and its Appendices F and G, and selected sections of Chapter 20 of the NAIC Market Regulation Handbook ("the Handbook").

Based on the results of the procedures performed, as documented in Chapter 29 of the NAIC's Market Regulation Handbook, and the knowledge and experience of its staff, the Illinois Department of Insurance has recommended three areas for improvement for American Association of Insurance Services (AAIS) to address:

- The actuarial examiner found that AAIS is still challenged to produce loss cost filings on a regular, annual basis for each line of business. The examiner recommends that AAIS continues to address this deficiency and strives to decrease the amount of time between loss cost filings.
- While AAIS segregates the IT department functions (development vs. operations) in its daily ongoing activities, the examiner recommends AAIS becomes truly independent of the operating units for which it performs data processing functions.
- The examiner recommends AAIS uses one tool to track IT activities, to further minimize the risk of management or reporting inconsistencies of IT activities across a combination of tools.

The Illinois Department of Insurance reserves the right to revisit these conclusions and perform additional review considering new information.

I hereby certify the above information is accurate and that I am authorized to execute this document on behalf of Illinois Department of Insurance.

Erica Weyhenmeyer
Signature

ERICH WEYHENMEYER
Print Name

Chief Market Conduct Examiner
Title

9-22-22
Date

ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

OF

AMERICAN ASSOCIATION OF INSURANCE SERVICES (AAIS)

AN ADVISORY ORGANIZATION FOUNDED IN 1975

701 WARRENVILLE ROAD
SUITE 100
LISLE, IL 60532

AS OF NOVEMBER 29, 2021

Salutation

August 15, 2022

Erica Weyhenmeyer, MCM, PIR
Assistant Deputy Director Market Conduct

Illinois Department of Insurance
122 S. Michigan Ave, 19th Floor
Chicago, IL 60603
312-814-2420

Illinois Department of Insurance
320 W. Washington St.
Springfield, IL 62767
217-782-4515

Dear Assistant Deputy Director Weyhenmeyer:

Pursuant to your instructions and in accordance with SDCL § 58-24-59, SDCL Ch. 58-3, and § 38.2-1925 of the Code of Illinois, a market conduct examination ("MCE") of American Association of Insurance Services ("Advisory Organization" or "AAIS") has been conducted. The following draft report on the findings of this examination is herewith respectfully submitted.

Organizational Profile

AAIS was founded in 1936 as a non-profit trade organization, known as Travel Insurance Rating Bureau. Its company practices focused primarily on tariff and regulatory declarations concerning travel insurance risks. The activities of the Advisory Organization slowly expanded to involve all threats of property. In 1947, the Mutual Marine Conference (originated in 1936) and the Mutual Aircraft Conference (originated in 1941), both merged and the two Conferences became known as the Transportation Rating Bureau. In 1975, the name was then changed to American Association of Insurance Services (AAIS) and in 1984, it was incorporated in Delaware as a 501(c)(6) non-profit organization.

Since its inception in 1936, AAIS continues to serve the property casualty insurance industry providing insurance forms, rules, and loss costs. AAIS is the only national not-for-profit advisory organization governed by its member insurance companies. In fact, more than 700 insurance carriers across the United States use AAIS policy forms and manuals in Commercial Lines, Inland Marine, Farm and Agriculture business lines, and personal lines.

AAIS is a licensed statistical agent in 51 jurisdictions, collecting data that helps members meet regulatory statistical reporting responsibilities, and serving as an intermediary between carriers and insurance regulators. Transaction data also supports loss cost development and ratemaking activities.

Second, we have also made the decision to conduct external audits on an annual basis. This provides more frequent check points with an outside perspective so that we can make more regular improvements to our actuarial documentation practices.

Actuarial Examiner Comments: Through the implementation and use of the actuarial documentation, as well as the Alfresco Share document management system used to manage templates, analyses, and peer reviews, the actuarial examiner finds that AAIS has satisfied the prior market conduct conclusions by providing sufficient documentation that fully addresses the ASOPs and a centralized and easily accessible documentation system.

2) AAIS's peer review process appears to be thorough and complete but is not centralized and is not easily accessible from a documentation standpoint.

2021 AAIS Response: We have developed standardized peer review templates. These templates are intended to provide consistent format and content with peer reviews and are now being required for all actuarial work products. As part of our document workflow, we are now memorializing our finalized actuarial work products in our Alfresco Share document management system. This step of moving documents to Alfresco Share separates the key actuarial artifacts needed to support an analysis from working versions, preliminary work, and other non-critical documents. These key artifacts are stored in the Actuarial Services document library with a consistent folder structure to maintain all filing materials next to corresponding internal actuarial documentation, including peer reviews.

Actuarial Examiner Comments: Through the implementation and use of the peer review templates, as well as the Alfresco Share document management system used to manage templates, analyses, and peer reviews, the actuarial examiner finds that AAIS has satisfied this prior market conduct conclusion by providing sufficient documentation that fully addresses the ASOPs and a centralized and easily accessible documentation system.

3) AAIS is challenged to produce loss cost filings on a regular basis, annual basis for each line of business due to staffing limitations and the effort required to validate the data used for the loss cost analyses.

2021 AAIS Response: AAIS is continuing to address these issues through an on-going initiative to automate the rote process of pulling insurance experience data and populating actuarial exhibits. This is a two-pronged effort to cover both our data pipeline and our indication template exhibits. The underlying architecture for both components was developed in prior phases of the initiative. The project is currently entering testing phases for the first line of business. Once testing is complete at the end of the calendar year, state indications will be run and reviewed by Actuarial Services for potential filing action in the coming year. In the following years, loss cost indications can be run and reviewed as a roll forward instead of a rebuild, significantly decreasing the amount of time between loss cost filings.

Actuarial Examiner Comments: The actuarial examiner also finds that AAIS is still challenged to produce loss cost filings on a regular, annual basis for each line of business. AAIS has indicated that it is continuing to address this deficiency and expects to significantly decrease the amount of time between loss cost filings using automation in the data pipeline and population of standardized actuarial exhibits.

by the Operational teams as well as any other key internal control areas identified by the Internal Auditor, the CEO or the Audit Committee of the Board of Directors. Audit scope plans and recommendations will be made at the October Board meeting following the completion of the annual financial audit.

Examiner Comments: *The examiner finds AAIS employed an internal audit policy at the June 2017 Board meeting. AAIS has indicated it will continue to follow internal audit processes as defined. The annual audit scope plans and recommendations are made to the AAIS President and Audit Committee of the Board of Directors at the annual October Board meeting following the completion of the annual financial audit.*

3) The process for performing the annual user access review needs to be revamped. Currently, user access is tracked in spreadsheets which are maintained by the Advisory Organization's Human Resource area and reviewed by relevant management personnel. Updates to the spreadsheets are made based upon access requests; however, these spreadsheets may not be accurate reflection of the current production environment, the result of which means that managers may not be approving the actual level of access that has been granted to each user.

2021 AAIS Response AAIS has implemented single sign-on using Okta and multifactor authentication using Okta Verify centralizing and simplifying user access control tracking. AAIS has also revamped its process for account review.

The Systems Group performs quarterly checks on server access controls with system stewards.

Examiner Comments: *The examiner finds AAIS centralized and simplified user access control tracking, and the advisory organization consistently follows its process for account review. The examiner confirmed the Systems Group performs quarterly checks as indicated in their organizational response.*

4) IT activities are not consistently tracked in the same place using the same technology. For example, some significant tasks are tracked in Rally, while other tasks are tracked in ManageEngine. The lack of consistency may increase the risk of IT activities not being managed in a consistent manner or reported consistently for future tracking purposes.

2021 AAIS Response: The services provided by technical staff vary widely and so do the tools they need to use. AAIS supports using tools that provide the best support for the job at hand. All initiatives, including technology initiatives, are tracked in Rally, a leading platform for managing scaled agile initiatives. Rally supports defect tracking and resolution for any type of development activity. All Systems Group support activities are tracked in ZenDesk a tool for end user support. Amazon ticketing is used for resolving issues in Amazon as required. No other system or tools are used for tracking IT activities.

Examiner Comments: *The examiner finds AAIS continues to track IT activities using a combination of tools based on the functionality of each. The potential enhanced risk of IT activities not being managed in a consistent manner or reported consistently for future tracking purposes remains an ongoing concern.*

5) As of 2015, virus definition for Apple Macintosh computers are dependent upon the user initiating any updates.

2021 AAIS Response: KACE, our software distribution platform, has not supported Macintoshes as well as PCs. Virus protection software for Macintoshes is still downloaded by staff and installed. Validation of virus software occurs with each login to the VPN and login is rejected if there is no active firewall or virus software is not up to date. AAIS is moving to KACE MDM by end of Q4 2021 that will enable virus software pushes to Macintoshes. All anti-virus software is now with Carbon Black which has intelligent system hardening and behavioral prevention. We use Enterprise Endpoint Detection and Response as well as Managed Detection.

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Methodology

The examiners primarily relied on the review of documentation and testing of records and information maintained by the Advisory Organization within the scope of the examination. In addition, the examiners interviewed Advisory Organization personnel in areas within the scope of the examination. The MCE was conducted in accordance with the standards and procedures established by the NAIC. Thirty-six (36) standards from nine areas shown in Chapter 29 of the 2020 Market Regulation Handbook were the primary basis of review. These specific areas are listed in the preceding Purpose and Scope of Examination section.

The actuarial examiners' work included reviewing AAIS loss cost/rate filings, statistical plans, and the data collection and handling procedures.

The examiners relied heavily on the review of documents and procedures, walkthroughs of processes, and interviews with key administrative and operational personnel. The MCE was conducted off-site. Sampling criteria, when applicable, is detailed in the relevant Examination Results section.

This Report lists those scope areas and the relevant standards reviewed. Some standards are applicable to more than one scope area and reference is made accordingly.

The result of the examiners' review of each standard can be either "Standard Met" or "Standard Not Met."

method, which calculates the indicated cost of claims (loss and loss adjustment expense) per exposure unit expected for the prospective policy period beginning December 1, 2020.

The calculations included in this filing demonstrate compliance with all of the applicable ASOPs. Modeling does not apply to the Georgia filing.

Iowa Dwelling Property Filing

The actuaries reviewed the actuarial memorandum and supporting exhibits for the dwelling property filing ("the Iowa filing") submitted by AAIS on March 31, 2019, to the Iowa Insurance Division ("IID"). The actuaries reviewed this filing for the IID in August 2019 and the IID approved it on August 26, 2019. The actuaries downloaded a copy of this filing from the public access website for Iowa filings from SERFF to have independent, publicly available filing documentation.

The actuarial calculations in this filing use the same methods, and follow the same order of presentation, as seen in the Georgia filing. The discussion and conclusions regarding the Georgia filing also apply to the Iowa filing. In addition, the similarities between the two filings, one provided by AAIS and one obtained independently, demonstrate that AAIS uses a common template approach to its actuarial calculations in loss cost filings.

In addition to the filings that INS reviewed, AAIS provided the templates it uses for actuarial documentation, actuarial peer review, and technical peer review.

The materials discussed in this section provide strong evidence that the actuarial work products produced by AAIS address all applicable ASOPs and comply with them. The actuaries conclude that prospective loss costs developed by AAIS: should not contribute to premiums that are inadequate, excessive, or unfairly discriminatory; use data that is applicable, complete, and actuarially sound; and use assumptions, trending factors, and other factors that are actuarially sound and reasonable.

Therefore, the actuaries find that AAIS has met the actuarily relevant NAIC Handbook Standards, specifically Standard 2.

Standard 3 – C.12
The advisory organization prepares, submits filings as necessary, adheres to applicable state filing and/or approval requirements and written procedures prior to distribution of prospective loss costs, policy forms, endorsements, factors, classifications, or rating rules manuals.

Result: Standard Met

Examiners' Observations: The examiners reviewed sixteen (16) documents supplied by the Advisory Organization which explains their processes for submitting filings and spoke with the AAIS staff. The Advisory Organization submits its rate and form filings on SERFF. AAIS reviews SERFF to determine when a filing is required. In addition, AAIS implemented a document management system (HPI) for the tracking and change management and preparation of materials for filings.

SERFF Review – All filings are reviewed to ensure that information included in the SERFF system substantially matches the supporting filing memo and member action exhibits.

- Filings are reviewed to ensure the Types of Insurance and Sub-Types of Insurance are applied consistently on product lines to ensure that the various state regulations are accurately followed.

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the legal analysts do a preliminary review of new laws and includes a summary to the regional attorney overseeing review and includes the compliance manager.

Standard 11 – C.1
The advisory organization has an up-to-date, valid internal or external audit program.

Result: Standard Met

Examiners' Observations: The examiners reviewed AAIS's audit policies and were provided a list of the audits conducted during the examination period. AAIS performs a variety of internal and external audits to ensure compliance with governing regulations, compliance review for legal and product development and financial control environment.

Below is an overview of the audits conducted. Specifically, the Filing and Compliance audits were reviewed by the examiners. No issues were identified.

I. Internal Audits

Filings and Compliance
During the period of audit of June 2018-2019 and 2020-2021, Internal Audit conducted Filings and Compliance and Product Development Audits performed by the Director of Finance and Accounting.

The audit consisted of documenting the general operational procedures, the control points and existing internal audit procedures conducted by the Compliance Department staff themselves. The three primary areas reviewed included:

SERFF Review – All approved filings are reviewed to ensure that information included in the SERFF system substantially matches the supporting filing memo and member action exhibits.

- Approved filings are reviewed to ensure the Types of Insurance and Sub-Types of Insurance are applied consistently on product lines to ensure that the various state regulations are accurately followed.
- All approved filings are reviewed to ensure that each approved filing has a published final bulletin which informs the AAIS membership of each respective filing.
- Approved bulletins are reviewed and compared with external member communication system (currently AAISdirect) to ensure that they are published to the site.

II. External Audits Conducted

There were a number of external audits conducted annually during the examination period including a SOC II Compliance for Underwriting Platform, Financial Audit, and Actuarial Audit/Peer Reviews conducted during the period of the examination.

Desktop Audit Policy
The purpose of the desktop audit is to ensure that AAIS employees:

- have access to the technology and tools they need to do their job,
- are fully aware of AAIS information technology policies and best practices,

- Security, Risk, Compliance and Vulnerability Assessments
  - Security Assessments - On at least an annual basis, AAIS communicates and makes available all third-party audit reports and a statement of standard security protocols that inform and support member IT organizations' internal audits.
  - Risk Assessments - AAIS conducts annual security risk assessments with respect to all Data Assets and, at members' request, provides any member with report of the findings and recommendations. AAIS timely remediates any items identified in such assessment.
  - Compliance Assessments - AAIS conducts annual self-audits with respect to the Security Program and, at members' request, provides a report of the findings and recommendations. AAIS promptly cures any non-compliance identified by such audits.
  - Vulnerability Assessments - AAIS conducts semi-annual vulnerability assessments of all Data Assets to identify, quantify, rank and mitigate weaknesses in the Security Program. AAIS conducts an annual perimeter network penetration test using a qualified independent party. AAIS timely remediates all critical and high-risk findings identified in such assessments.
- Permissibility Access/Storage, Audit Logs, Integrity and Destruction of Data
  - Access Limitations - AAIS does not allow access to Protected Data except for (a) AAIS Personnel who have a need to access Protected Data pursuant to the Data Security Policy Agreement and whose authorization has been approved in accordance with the Security Program; and (b) the member or its designated representatives.
  - Use of Third Party Service Providers – If AAIS uses a third party service provider to access, process, or store Protected Data, then AAIS includes in its Security Program a comprehensive third party information security assessment process that is (a) based on best practices and industry standards; (b) assesses information security control design and implementation; (c) identifies security control deficiencies and risks of proposed or existing third party service providers, and remediates those risks.
  - Access and Storage Facilities - AAIS does not access or store Protected Data from any facility in or outside the United States unless the facility has been approved in advance by member for such access or storage in writing as set forth in a Statement of Work. AAIS prevents the movement or copying of Protected Data to any facility that is only approved for accessing Protected Data.
  - Data Integrity - Except as otherwise set forth in the AAIS Agreement, AAIS does not modify, delete, or destroy any Protected Data or media on which Protected Data resides. At members' request, AAIS identifies, in writing, Protected Data or media that has been modified or destroyed. If any of Protected Data is modified, lost, or destroyed due to any act or omission of AAIS or any AAIS personnel, or due to their breach, AAIS promptly regenerates or replaces Protected Data to the best of AAIS's capability and ability. AAIS prioritizes this effort to comply with reasonable deadlines to be established by member, so that the loss of Protected Data will not have an adverse effect upon member's business or the services. If AAIS fails to correct or regenerate the lost or destroyed Protected Data within the time reasonably set by member, member may obtain data reconstruction services from a third party, at AAIS's approval and expense, and AAIS shall cooperate with such third party as requested by member.
  - Audit Logs - AAIS generates audit logs for actual or attempted unauthorized use, access, disclosure, theft, manipulation, reproduction or possible compromise of any Data Assets. AAIS reviews the audit logs on a regular basis and maintains adequate evidence of its review for the purposes of an audit. AAIS maintains the audit logs for no less than twelve (12) months and provides them upon members' request. In addition, AAIS maintains any audit logs that reveal evidence relating to a Security Breach for no less than three (3) years, or as otherwise directed by member.

- Termination
  - If a member does not intend to renew the annual membership, member must give 90 days' notice of the intent to abandon the membership.
  - AAIS may terminate this membership if member violates any of the stated terms of membership contained herein, however member will have thirty (30) days of receiving written notice describing such violation to cure the violation.

Standard 13 – C.4
The advisory organization has a valid disaster recovery plan.

Result: Standard Met

Examiners' Observations: The examiners confirmed through their review of the Business Continuity and Incident Management Policy & Procedure and Pandemic Response Plan that the recovery plans are detailed and repeatable. The inventory of critical business applications, databases and files is current and is defined and prioritized in the recovery process; and has off-site retrieval through restoration of systems.

Standard 14 – C.6
The advisory organization is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the advisory organization.

Result: N/A

Examiners' Observations: AAIS does not have any third-party entity that contractually assumes a business function or acting on its behalf.

Standard 15 – C.7
Records are adequate, accessible, consistent and orderly, and comply with state record retention requirements.

Result: Standard Met

Examiners' Observations: AAIS provided its Records File Retention Policy. AAIS's policy was developed upon research and using guides from reports from Thomas Reuters Oden Reporting Services. The policy is reviewed yearly for continued compliance.

Standard 16 – C.17
The advisory organization is appropriately licensed.

Result: Standard Met

Examiners' Observations: A listing of state licenses for each state/territory was supplied, plus the territories of Puerto Rico and the District of Columbia.

B. Statistical Plans

The evaluation of standards in this area is designed to verify that AAIS maintains adequate statistical plans in accordance with applicable statutes, rules, and regulations and that data is reported in accordance with the statistical plans. This standard is also intended to measure AAIS's compliance regarding the filing and approval of statistical plans.

Standard 1
The statistical agent has filed its statistical plans in accordance with applicable statutes, rules, and regulations.

Result: Standard Met

Examiners' Observations: The examiners reviewed AAIS's Stat Plan Process Change. The document outlines when a filing needs to be made and the steps that must be taken to prepare to make the filing. The document will also summarize all changes which will include all additions to the statistical plan, as well as strikeout any content that will be removed. Once the statistical plan is finalized it is sent to the Filings area who will review and forward to the Legal team for final review. Once Legal review is complete it is given back to the Filings team to update the statistical plan on AAISdirect. Finally, member companies are notified of the statistical plan changes.

Standard 2
The statistical plans are reviewed and updated in accordance with applicable statutes, rules, and regulations.

Result: Standard Met

Examiners' Observations: The examiners reviewed the Legislative and Regulatory Monitoring Procedures and Attorney Case Law and Compliance Monitoring Procedures.

AAIS conducts ongoing research and review of state insurance laws, regulations, and Department of Insurance communications in order to keep up with changes impacting prospective loss costs, policy forms, endorsements, factors, classifications or manuals. AAIS uses State Net, Westlaw, and other compliance research products to monitor and compile reports of court decisions, state agency regulations, and legislation in all 50 states, the District of Columbia, and Congress.

AAIS has developed customized reports to capture all materials relevant to AAIS products. GLC staff reviews all reports and holds weekly meetings with product teams to advise of potential changes affecting AAIS products. Determinations are made by AAIS staff, as to the necessity of changes and updates to AAIS products in response to new legislation, regulations, and court decisions.

Standard 3
The statistical agent verifies that companies submit data in accordance with the appropriate statistical plan.

Result: Standard Met

C. Data Collection and Handling

The evaluation of standards in this area is designed to verify that AAIS adequately tests reported data for validity, completeness, and reasonableness.

Standard 1
The statistical agent's series of edits are sufficient to catch material errors in data submitted by a company.

Result: Standard Met

Examiners' Observations: The examiners reviewed AAIS's Statistical Data Management Manual and statistical data to reported premiums and losses-reconciliation process. Examiners confirmed that AAIS's series of edits catch material errors submitted by the member companies.

Members prepare their data in the format described in the relevant statistical plans. Each line of business has its own statistical plan that must be followed for the data to be acceptable. Once the data is prepared, the member uploads the data to AAIS to review. There are various statutes that the data submission can receive.

The passable threshold for data is <5%.

AAIS works with member companies to resolve errors and discover areas of improvement in edits that will better catch data submission errors. If a record is not able to be successfully parsed it is considered a row error. If the record is successfully parsed it may then have a business logic error or be error free.

Each row of data is validated against the system's rules engine. If a record is not able to be successfully parsed it is considered a **row error**. If the record is successfully parsed it may then have a **business logic** error or be error free.

Row/Parsing Error
A row or parsing error indicates that the system is not able to perform one or more of the following tasks:
- properly assign record to a transmittal (Company/Line/Year/Quarter)
- aggregate the amount or count fields to produce transmittal totals
- identify what type of record was reported in order to parse correctly (i.e., premium vs. loss or subline for Auto)

Business Logic Errors
If a record does not contain a parsing error, it may be a business logic error. A business logic error is anything within a given record that does not follow defined business rules in the statistical plans or program manuals. Each business rule is assigned an error code and an error message which are displayed in the Error Detail Report and the View Error Summary tab of the Edit Data feature.

Re-Validation
When a change is made to a record from the 'Edit Data' option, the individual record will be revalidated against every rule in the rule-sets.

reviewer assessing all methodologies and assumptions and reviewing final results for reasonableness. Testing is done at multiple levels and includes test cases, test sets and test results.

Standard 6

Where applicable, determine that the statistical agent employs use of data completeness tests as outlined in the *Statistical Handbook of Data Available to Insurance Regulators.*

Result: Standard Met

Examiners' Observations: The examiners reviewed the completeness of the statistical data process. Upon submission of the data file, the "Compliance Officer" for the member company must affirm to the best of his/her knowledge that the data totals are accurate.

In situations where we are not able to reach the member contacts, AAIS's Membership Engagement team, attempts to get in touch with the member's contacts and their leadership team. If no response after follow-up attempts, the member is reported on the non-reporters report for the applicable state.

Standard 4

Review any additional data quality programs maintained by the statistical agent pertaining to data collected pursuant to the statistical plan.

Result: Standard Met

Examiners' Observations: AAIS works closely with members who may have issues or seek clarification in responding to statistical plans. This is through what AAIS refers to as their consultative advice-based approach and is generally required where interpreting error codes or updates to statistical plans may need additional support by member companies.

Standard 5

With each standard premium and loss report to the states, the statistical agent provides a listing of companies whose data is included in the compilations and a historical report listing insurers whose data for the state was excluded, as set forth in Section 2.4 of the NAIC *Statistical Handbook of Data Available to Insurance Regulators.*

Result: Standard Met

Examiners' Observations: The listing of companies whose data is included in the compilations is created from the same set of data used to produce the compilations. Only data that has passed the data review and certification process; and has either the status of AAIS Accepted or AAIS Acknowledged, will be included in the data reports. If a member's data does not get the status of AAIS Accepted or AAIS Acknowledged it will be excluded. In the case of Illinois, it is reported through the Illinois Cost Containment state portal.

AAIS performs numerous checks of the calculations by the preparing analyst as well as the reviewer, and all resulting calculations are reviewed for reasonableness at several points throughout the process and against the statistical plan. In addition, a peer review process is utilized with an independent peer reviewer assessing all methodologies and assumptions and reviewing final results for reasonableness.

Standard 4

Data collected, in addition to the data collected under the statistical plan, was adequately reviewed for quality and compiled according to applicable statutes, rules and regulations.

Result: Standard Met

Examiners' Observations: The examiners reviewed AAIS's quality control for data submission to regulators procedure. AAIS performs numerous checks of calculations. These checks are done by the preparing analyst as well as the reviewer, and all resulting calculations are reviewed for reasonableness at several points throughout the process. In addition, a peer review process is utilized with an independent peer reviewer assessing all methodologies and assumptions and reviewing final results for reasonableness.

G. Classification and Appeal Handling

The evaluation of the standard in this area is designed to review AAIS's classification and appeal process, where applicable.

Standard 1

AAIS takes adequate steps to finalize and dispose of the classification appeal in accordance with applicable statutes, rules and regulations, and written manuals and procedures.

Result: N/A

Examiners' Observations: AAIS is not involved in classification appeals.

project is responsible for launching the peer review checklist and following it through until it reaches VP approval.

Once all parties have agreed to what revisions will be made, the form/manual can be finalized, and the final version of the form/manual documented. It is the responsibility of the project owner to ensure that all pieces of the peer review process are documented. A form/manual may not be submitted to filings until the Product Owner (VP) has confirmed this and approved submission to filings. Once the VP approval has been added to the checklist, the checklist can be submitted to Filings to be sent to the applicable states for approval

Summary of Recommendations

1) The actuarial examiner found that AAIS is still challenged to produce loss cost filings on a regular, annual basis for each line of business. The examiner recommends that AAIS continues to address this deficiency and strives to decrease the amount of time between loss cost filings.
2) While AAIS segregates the IT department functions (development vs. operations) in its daily ongoing activities, the examiner recommends AAIS becomes truly independent of the operating units for which it performs data processing functions.
3) The examiner recommends AAIS uses one tool to track IT activities, to further minimize the risk of management or reporting inconsistencies of IT activities across a combination of tools.