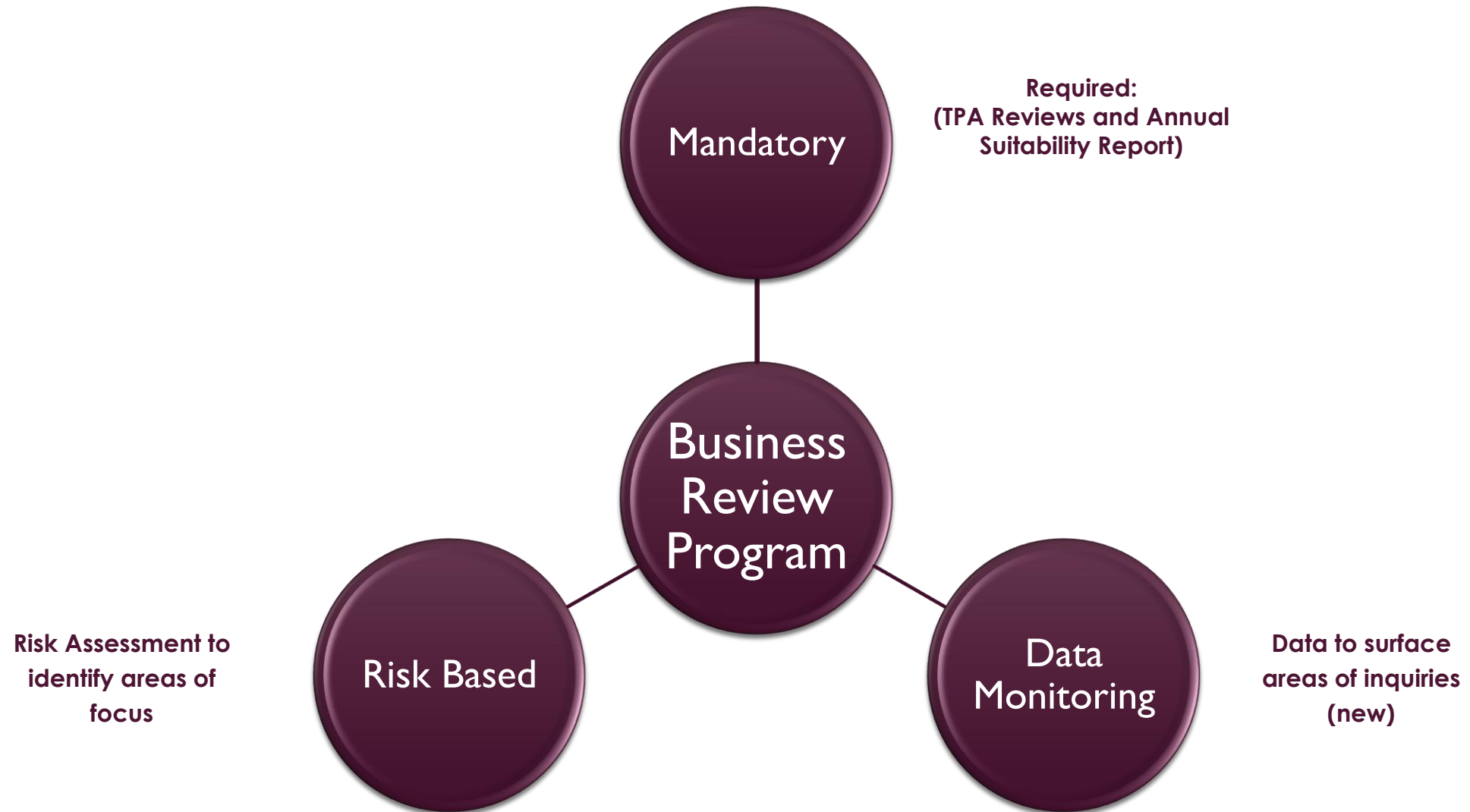




# **Company Example**

Compliance Risk Assessment Review Program

# BUSINESS REVIEW PROGRAM



# WHY IS IT IMPORTANT TO HAVE A RISK ASSESSMENT

In today's rapidly changing regulatory environment, regular consumer compliance risk assessments are important and beneficial. They can help a financial institution measure and mitigate the risks inherent in its consumer products and services, identify possible weaknesses in its controls and processes, and make any necessary changes to its consumer compliance management program in light of the assessment. **Because risk assessments are risk focused, they place more weight on products, services, and processes that entail greater risk. The resulting assessments help management and the board know where the increased compliance risks reside so they can respond appropriately.** Specific issues and questions related to risk assessment expectations should be raised with your primary regulator.

## How effective is your compliance risk assessment process?

Regularly conducting a comprehensive risk assessment is recognized as one of the key elements of an effective compliance and ethics program and the foundation upon which a strong program is built.

# WHERE DID WE START?



The NAIC [Market Regulation Handbook](#) provides guidance and encourages uniform market conduct regulation practices. The Handbook is updated annually, keeping market analysis and market conduct examinations standards current with newly adopted NAIC model laws, regulations, bulletins and other relevant materials.

**Operations/Management**  
**Complaint Handling**  
**Marketing and Sales**  
**Producer Licensing**  
**Policyholder Service**  
**Underwriting and Rating**  
**Claims**

Chapter 20—Policyholder Service Standards	
The policyholder service review includes, but is not limited to, the following standards related to the adequacy and level of policyholder service provided by the regulated entity.	
Standard Number	Text of Standard
1	Premium notices and billing notices are sent out with an adequate amount of advance notice.
2	Policy issuance and insured-requested cancellations are timely.
3	All correspondence directed to the regulated entity is answered in a timely and responsive manner by the appropriate department.
4	Whenever the regulated entity transfers the obligation of its contracts to another regulated entity pursuant to an assumption reinsurance agreement, the regulated entity has gained prior approval of the insurance department, and the regulated entity has sent the required notices to affected policyholders.
5	Policy transactions are processed accurately and completely.
6	Reasonable attempts to locate missing policyholders or beneficiaries are made.
7	Unearned premiums are correctly calculated and returned to the appropriate party in a timely manner and in accordance with applicable statutes, rules and regulations.

## Key Words

Advertising

AML

Appointment Best Interest

Buyer's Guide

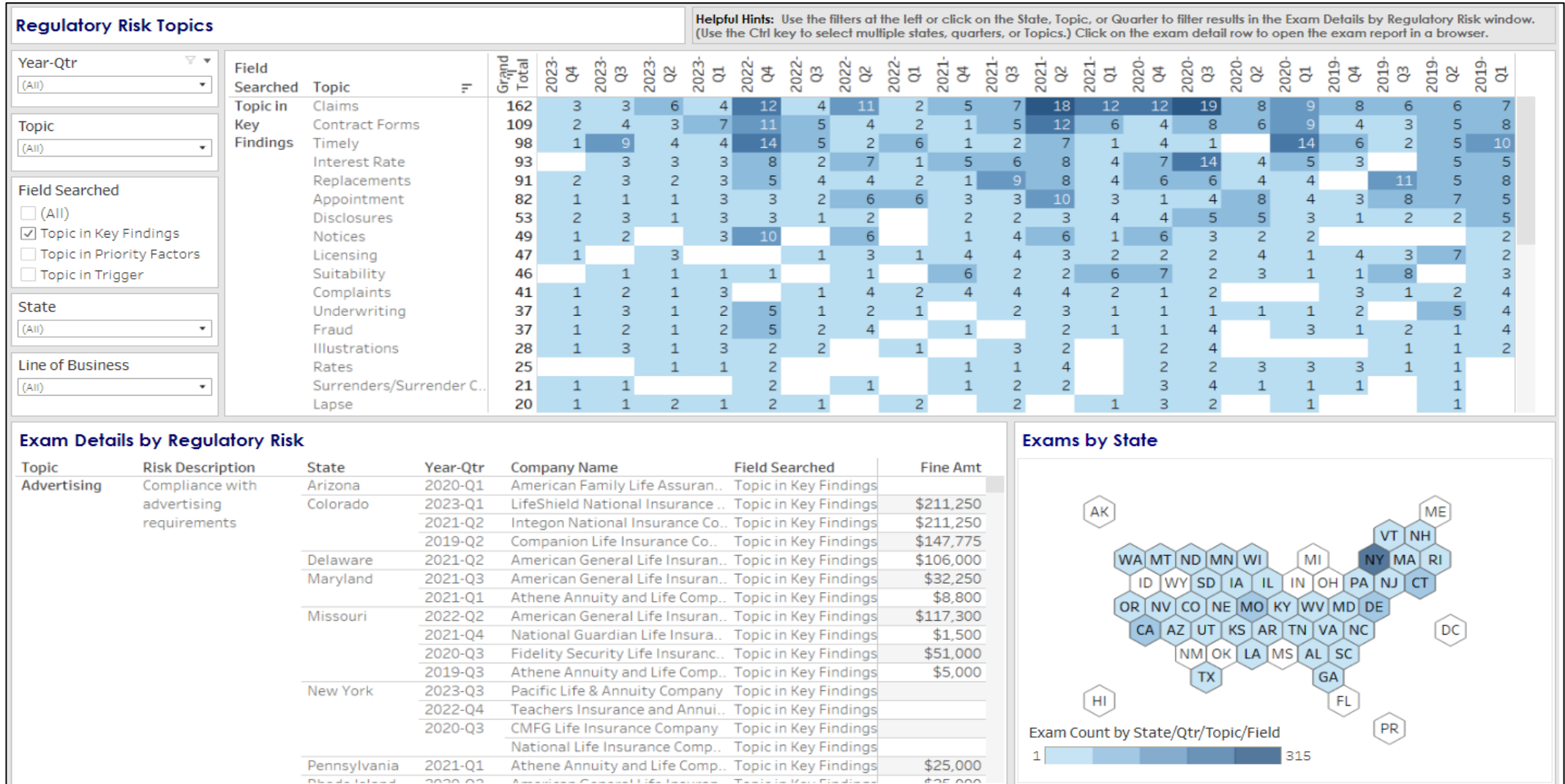
Child Support

Claims, Interest, EOB

Complaints

Contract Forms

# WHAT INPUTS DID WE USE?



# HOW DOES THIS TRANSLATE TO KNOWING OUR RISKS?

Risk Description - from the NAIC Market Conduct Handbook	Key Words	Likelihood of occurrence	Impact	Overall Risk Calculation
Use compliant HIV-related consent forms	HIV testing	Unlikely	Low	Low
Appropriate use of illustrations, Compliance with state illustration requirements, Name, age and gender of proposed insured except where a composite illustration is permitted	Illustrations	Somewhat Likely	Medium	Medium
Failure to apply the correct interest rate resulting in overpayment/underpayment of proceeds due	Interest Rates	Somewhat Likely	Medium	Medium
Appropriate handling of lapse periods and related notices	Lapse	Somewhat Likely	Medium	Medium
Compliance with state licensing and appointment requirements	Licensing	Somewhat Likely	Medium	Medium
Appropriate handling of loans (i.e., disclosures, interest and payments)	Loans	Somewhat Likely	Medium	Medium
Timely reporting through the lost policy finder	Lost Policy Finder	Unlikely	High	Medium
Issue life insurance policies on minors' lives based on lawful amounts	Minors/ Minor beneficiary	Unlikely	Low	Low
Timely send notices, Provide required notices, Annual privacy notices	Notices	Somewhat Likely	Medium	Medium
Correct version and timely use and delivery of life and annuity Buyer's Guides and contact/policy summaries	Policy summaries	Unlikely	Medium	Low
Conforming privacy notice and distribution process, Provide annual privacy notices	Privacy	Unlikely	Medium	Low
Failure to timely file rates, use the correct rates, use unfiled/approved rates	Rates	Somewhat Likely	Medium	Medium
Failure to rescind timely, failure to obtain consent RPU contracts	Rescission	Unlikely	Medium	Low
Appropriate handling of replacements (i.e., notices, monitoring and related requirements)	Replacements	Highly Likely	High	High

# HOW DOES THIS TRANSLATE TO KNOWING OUR RISKS?

LIKELIHOOD & IMPACT RISK RATING MATRIX						
		Likelihood of occurrence within the next two years				
		Remote	Unlikely	Somewhat Likely	Highly Likely	Almost Certain
I m p a c t	<b>High</b> System & Services: Significant loss of company-wide systems or services. Loss or theft of data. Reputation: Adverse impact on public perception. Regulatory: Notable enforcement actions, including probable sanctions/fines.	Low	Medium	Medium	High	High
	<b>Medium</b> Systems & Services: Significant loss of department-wide systems or services. Loss or theft of data. Reputation: Limited public perception. Regulatory: Probable enforcement, including sanctions against specific business activity, product, entity, or LOB.	Low	Low	Medium	Medium	High
	<b>Low</b> Systems & Services: Moderate but temporary impacts. Reputation: Minimal, limited to localized or regional press interest. Regulatory: Possible issues with corrective actions, but no material fines/sanctions anticipated.	Nominal	Low	Low	Medium	Medium
	<b>Nominal</b> Systems & Services: Little to no impact Reputation: Adverse reputational impact, limited to internal organization only. Regulatory: No anticipated regulatory fines or disciplinary actions.	Nominal	Nominal	Low	Low	Low
V a l u e						

- Likelihood of occurrence – currently determined by the # of times the risk topic came up in an exam
- Impact and Overall Risk Calculation – currently determined using the impact risk rating matrix referenced by other control groups



**QUESTIONS?**