

Insurance & Regulatory Compliance Programs

Business Reviews

I. Introduction

The Business Review Program (the “Program”) has been established to identify and implement consistent processes for identifying, assessing, and reporting risks across business areas. The Program and underlying approach promote consistency and allows for efficient management and oversight of the Program (*See Appendix A Program Workflow Diagram and Appendix B Job Aid for Standard Workflow*).

The Program includes five *Phases*. This document details each Phase, including:

1. Identification
2. Prioritization
3. Review (Execution)
4. Reporting & Communication
5. Findings & Recommendations Management

The Appendices within this document are templates only and may be modified in the future to continuously improve the Program.

II. Identification

Business Reviews are categorized as either *Mandatory* or *Risk-Based*.

Mandatory Reviews. Mandatory Reviews include assessments of business practices as defined by regulatory requirements (e.g., NAIC TPA Model, New York Circular Letter No. 9 (1999)) and required certifications (e.g., North Carolina TPA certification, California Fair Claims Settlement Practices certification).

Risk-Based Reviews. Risk-Based Reviews include, but are not limited to, assessments of high-risk business practices that may be identified by:

1. Compliance Risk Assessment(s) (e.g., Annual Risk Assessment, SEC Rule 38a-1 quarterly reporting, other ad-hoc analysis of business practices),
2. Common findings or trends identified in the monthly Wolters Kluwer NILS report or annual risk assessment,
3. Implementation of new or revised regulatory requirements and/or business workflows,
4. Implementation of compliance-related system fixes or situations where manual workarounds are implemented,
5. Results of a Corporate Audits, Regulatory Exams, Market Conduct Exams, or Independent Auditor reviews,
6. Customer complaints, litigation, and/or exception trends; and/or
7. Information provided by business management.

Additional Considerations. Insurance & Regulatory Compliance Programs may collaborate with other departments within Compliance & Ethics as well as Corporate Audit, Third Party Risk Management and Business and Compliance Relationship Managers as appropriate when identifying, prioritizing, and scheduling business reviews and will utilize their resources and/or the results of their reviews to develop the scope of current reviews and to continuously reassess compliance risk. As new compliance risks are identified, those risks are added to the Risk-Based Review list and are prioritized, as appropriate.

III. Prioritization

Reviews are scheduled and prioritized during the first quarter for the calendar year. The prioritization order and schedule may change as new risks are identified and known risks are reassessed periodically throughout the year.

Mandatory Reviews. Mandatory Reviews are given the highest priority to ensure that regulatory review and certification requirements are met.

Risk-Based Reviews. Business practices identified for Risk-Based Review are internally tracked on the *Risk-Based Review Parking Lot* and prioritized based upon analysis of risk.

Once the top risks are prioritized, the *Compliance Director* discusses the top risks and potential business review schedule with the applicable business areas and modifies the schedule when conflicting priorities exist within the business. The proposed schedule is discussed with senior compliance management to ensure that all parties are aware of and agree with the prioritization list.

IV. Review (Execution)

Business reviews are conducted in 3 phases: *Requirements Definition*, *Review Plan Development* and *Execution*.

1. *Requirements Definition.* During the first phase of review, the *Business Review Lead*¹ defines and documents specific review requirements and meets with the Compliance Director to discuss and finalize. Those requirements are communicated to the business owner through an Initiation Memo (*See Appendix D*) and *Information Request* (*See Appendix E*). If reviewing a Service Provider or TPA, the Business Review Lead drafts a *TPA Review Initiation Letter* (*See Appendix F*). The Business Review Lead engages the business area during the Kick-Off meeting to review requirements, objectives, timelines, and support needs.
2. *Review Plan Development.* The Business Review Lead defines, and documents specific review scenarios based on the regulatory and/or procedural requirements that pertain to the function under review. The Business Review Lead is accountable for selecting an appropriate sample size to be reviewed. (*See Appendix C*).

3. *Execution.* The Business Review Lead is accountable for obtaining all materials necessary to execute the review (e.g., procedures, files, system access). The Business Review Lead executes the business review plan and documents the results as described in section V.

V. Reporting & Communication

Findings Report. The Business Review Lead is accountable for drafting a *Summary Report* (See *Appendix G and H for templates*) following the completion of each review. The Summary Report is reviewed with the business areas, Law, and Compliance management, as appropriate, prior to issuance. The final Summary Report is issued to the Head of Insurance and Regulatory Compliance the Compliance Director, and the Business Owner, with copies to the appropriate parties, depending upon the type of review being conducted.

VI. Findings & Recommendations Management

All findings and best practice recommendations noted in the Summary Report are logged in Archer. The Compliance Director will work with the Business Review Lead, to confirm that all items are assigned, and ownership is communicated to the business owner or delegate.

Reporting. The Compliance Director and Business Review Lead will communicate the status of all open items to business owners and other interested parties on a periodic basis, as appropriate for each area.

Escalation. The Quarterly Compliance Report may be used to escalate issues to the business owners and senior compliance management that may have a significant and immediate compliance impact. The report identifies those significant findings that are at risk of missing the target date or behind schedule. If business owners determine that target dates will not be met, then the applicable Compliance resource, (e.g., Key Initiatives, 38a-1, etc.) will work with the business owner to identify the risk associated with the item remaining open. If unable to close an item indefinitely, then the business owner may formally accept the risk, and the item will be tracked as an “accepted risk.”

VII. Roles and Responsibilities Reference Section

This section outlines the responsibilities of the roles within the Program.

Compliance Director. Accountable for:

- Business Review identification, prioritization, and timeline management
- Communicating prioritization to Senior Compliance Management
- Identifying resource needs, securing resources, and escalating resource issues

- Process oversight, promoting consistency across review efforts
- Communicating progress / status, identify roadblocks and escalating issues via standard reporting tools and dashboards
- Providing guidance to Business Review Leads
- Management of outstanding corrective actions
- Reporting review status, progress and concerns to senior compliance management and business

Business Review Lead. Accountable for:

- Identifying specific review requirements
- Developing test plans and meeting with the Head of Compliance Testing & Ops Support to finalize
- Facilitating Kick-Off meetings with Business Owners and sending Initiation Letters to TPAs or business partners
- Obtaining business resource support
- Execution of reviews
- Coordinating with those resources helping on the review, review of plans, execution, reporting
- Communicating status of reviews to the Compliance Director
- Drafting Summary Reports
- Escalating issues as appropriate
- Facilitating Summary Report reviews with Business Owners and Senior Compliance management
- Management of outstanding corrective actions

Head of Insurance and Regulatory Compliance. Accountable for:

- Periodic review of high-risk items with the Compliance Director providing input and agreement on prioritization order
- Reviewing final Summary Reports and providing support when communicating significant findings upward, as appropriate
- Providing support in escalating critical issues to Senior Compliance and Business Management
- Providing Mandatory Certifications, as applicable

Business Owner. Accountable for:

- Reviewing Business Review schedule, confirming support resource(s) availability
- Participating in Kick-Off meetings
- Providing support to review efforts, as agreed upon

- Reviewing draft Summary Reports, providing additional clarification on findings as needed, acceptance of findings
- Identifying corrective action plan and target dates
- Executing upon corrective action plan and communicating status to the Compliance Director

Appendix A. Program Workflow Diagram.

Appendix B. Job Aid for Standard Workflow.

Appendix C. Job Aid for Determining Testing Sample.

Appendix D. Initiation Memo for Risk-Based Review Template.

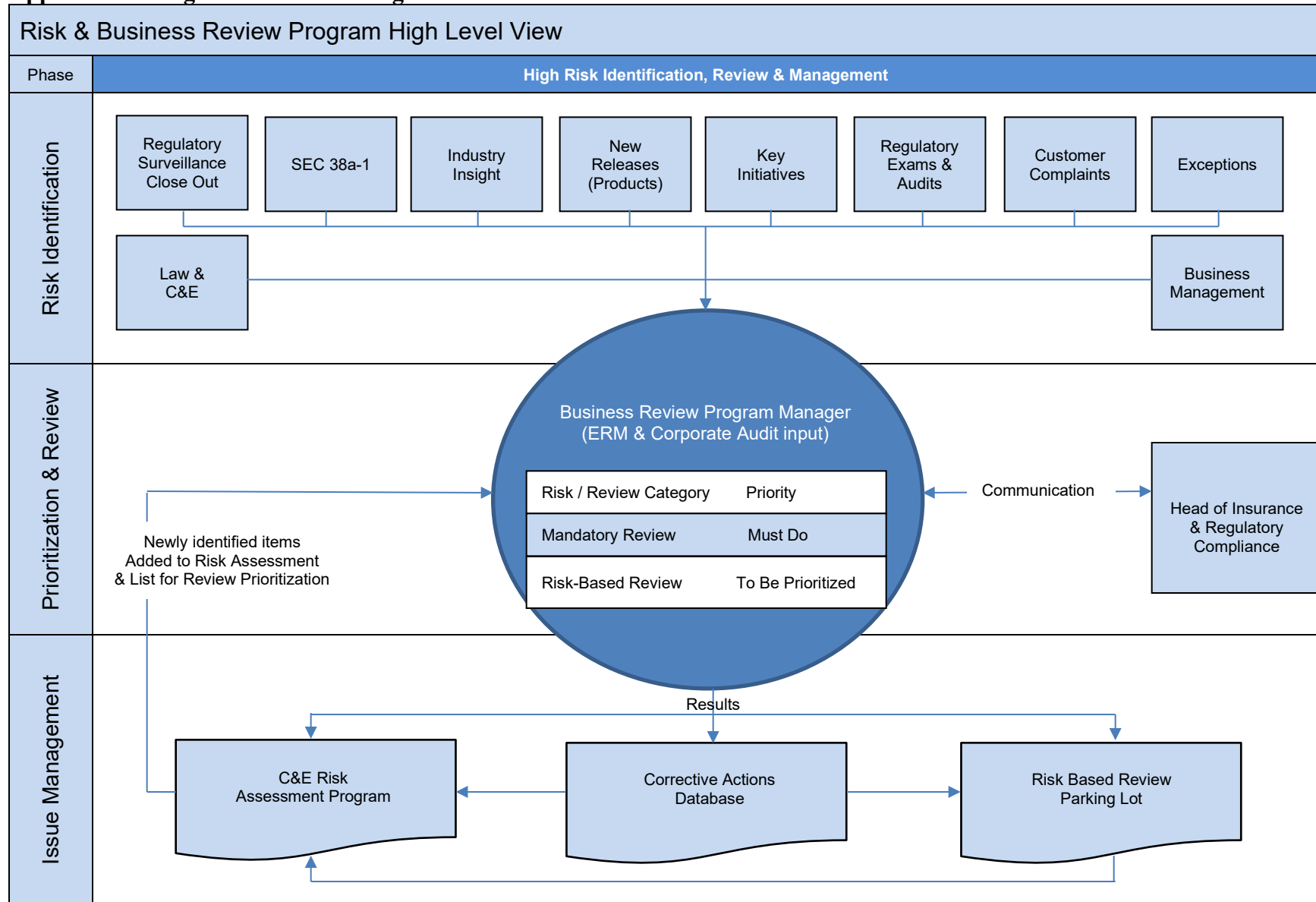
Appendix E. Information Request.

Appendix F. TPA Review Initiation Letter Template.

Appendix G. TPA Review Summary Report Template.

Appendix H. Risk-Based Review Summary Report Template.

Appendix A. Program Workflow Diagram.



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Business Reviews / Periodic Assessments

Job Aid for Standard Workflow

Lead Reviewer: [Name, Title]

Review Period: [Review Period]

Supplier/Business Partner: [Business Partner]

Type of Review: [Type of Review]

Name of Review: [Name of Reviewer]

Regulator: State SEC FINRA Regulatory Requirement: [Requirement]

I. Requirements Definitions:	Completion Date	Target Hours
<input type="checkbox"/> Prepare for Kick-Off Meeting / Draft Initiation Letter/Memo	Click or tap to enter a date.	Click or tap here to enter text.
<input type="checkbox"/> <i>Kick-Off Meeting – Initiation Letter/</i> – (Determine scope of testing define requirements, objectives, timelines, and materials expected to be provided from the business area(s).	Click or tap to enter a date.	Click or tap here to enter text.
		Sub Total Click or tap here to enter text.

II. Review Plan Development:	Completion Date	Target Hours
<input type="checkbox"/> Define and document specific review scenarios based on regulatory procedural requirements Define regulation requirements	Click or tap to enter a date.	Click or tap here to enter text.
<input type="checkbox"/> Select statistically significant sample Determine necessary data points Request system access	Click or tap to enter a date.	Click or tap here to enter text.
<input type="checkbox"/> Develop test worksheets checklists Prepare certification materials	Click or tap to enter a date.	Click or tap here to enter text.
		Sub Total Click or tap here to enter text.

III. Execution Periodic Execution:	Completion Date	Target Hours
<input type="checkbox"/> Review test materials and document exceptions	Click or tap to enter a date.	Click or tap here to enter text.
<input type="checkbox"/> Complete interview with key contacts, as needed	Click or tap to enter a date.	Click or tap here to enter text.
<input type="checkbox"/> <i>Inform</i> – Review findings with Business Partners or communicate otherwise preliminary findings Develop timelines and agreed upon Actions given regulatory or policy requirements		Click or tap here to enter text.
		Sub Total

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	Click or tap here to enter text.	
IV. Reports:	Completion Date	Target Hours
<input type="checkbox"/> Draft Report	Click or tap to enter a date.	Click or tap here to enter text.
<input type="checkbox"/> <u>Meeting</u> – Review draft report with business partners	Click or tap to enter a date.	Click or tap here to enter text.
<input type="checkbox"/> Modify reports as necessary	Click or tap to enter a date.	Click or tap here to enter text.
<input type="checkbox"/> Issue report to business Complete periodic reporting	Click or tap to enter a date.	Click or tap here to enter text.
<input type="checkbox"/> Draft summary report to CO other management Finalize certification	Click or tap to enter a date.	Click or tap here to enter text.
<input type="checkbox"/> Issue FINAL report to CO other management Finalize memo to CO	Click or tap to enter a date.	Click or tap here to enter text.
<input type="checkbox"/> Complete execution of all reviews within the plan and document the results as described. Meet with CO to review memo and execute Certification.	Click or tap to enter a date.	Click or tap here to enter text.
	Sub Total Click or tap here to enter text.	

V. Close Out:	Completion Date	Target Hours
<input type="checkbox"/> Organize electronic folders	Click or tap to enter a date.	Click or tap here to enter text.
<input type="checkbox"/> Save emails, reports on LAN SharePoint	Click or tap to enter a date.	Click or tap here to enter text.
<input type="checkbox"/> Upload Final Report Memo Certification(s) to Archer	Click or tap to enter a date.	Click or tap here to enter text.
	Sub Total Click or tap here to enter text.	

Complexity Guide	High	Medium	Low
Duration – Target Hours	63.33	40	10.3
Duration – Target Weeks	12 weeks	8 weeks	4 weeks
Duration – Duration Hours per week	5.275	5.00	2.575

COMPLIANCE TESTING AND OPS SUPPORT TEAM

Purpose: The intent of this job aid is to provide Compliance & Ethics with guidelines/guardrails for determining a sample testing size when performing a mandatory and/or risk-based review.

Due to the large population often involved with transactional data, the reviewer may not examine all of the information available to them as it may be unreasonable to do so (e.g., requiring too much time for both our business partners as well as Compliance) and valid conclusions may instead be reached by using a non-statistical judgmental/haphazard sampling approach.

Considerations for determining your sample size may include, but are not limited to:

- Type of review being conducted (i.e., mandatory versus risk-based);
 - Semi-annual TPA reviews may already have an established and consistent testing sample size and may be adjusted up or down based on historical results or new and emerging trends.
 - Semi-annual mandatory reviews that include an evaluation of one or more Model rules or statutes (e.g., combination of a TPA review and 38a-1) may need to increase the sample size accordingly.
- Other reviews which include “quick hit” transactions may warrant a larger testing sample as the allotted period for conducting such review may allow it; and
- Level of financial, regulatory, or reputation risk.

[Company Name]’s Internal Audit department currently uses the following sample guidelines for use with all non-Data Analytics testing:

Control or Transactional Frequency	Population (business days)	Sample Size
Annual/Semi-Annual	1-2	1
Quarterly (4)	3-4	2
Monthly (12)	5-12	2
Weekly (52)	13-52	5
Daily (365)	53-250	15
Multiple times per day	>250	30
Automated Application Controls And Key System Generated Reports	N/A	1

Workpapers should be appropriately documented to explain the rationale used to determine your testing sample. Workpapers should include information such as the nature of the control, procedure or process you are testing; details of the population and sampling selection (i.e., based on prior year results or other); the control deviation (exceptions); the sample size; and the evaluation of the results.

Workpapers should also describe how the review test plan was developed, the findings identified, and the risk/impact of each finding.

[Company Logo]

INITIATION MEMORANDUM

Date: [Date]

To: [Business Area SME Name]

From: [Name]
[Title]

Cc: [Name], [Title]

Re: Review plan for Risk-Based Review for [functional area]

As part of Compliance and Ethics (“Compliance”) oversight responsibilities, we assess emerging trends of compliance risk that have evolved because of customer complaints, internal audit activity, and/or regulatory examinations.

Compliance is initiating a review of [LOB]’s business practices to evaluate the adequacy and effectiveness of certain operational policies, procedures, and administration, and to identify potential deficiencies or gaps that may expose [Company Name] to compliance, regulatory or reputational risk. We will utilize [Market Conduct Examinations, Legal Surveys, Copy of Regulation(s), Copy of State specific version of Contract, etc.] as part of the review criteria.

Scope:

Review Period:

The scope of the review will include [list of business area(s) and specific business practices]. [Note if any other areas within Compliance may need to be involved in the assessment – e.g., B/D support for Privacy or AML, Field Regulations, etc.].

The review will evaluate controls over:

- Compliance will assess the policies, procedures, and processes on [insert functional area of review] during the scope review period relating to [insert text]. As part of our analysis, we will:
 - Validate
 - Review

Approach:

- Compliance will schedule a kick-off meeting with the key business owners and/or their delegates to discuss the purpose of the review and expectations.

- If applicable, Compliance will contact Corporate Audit to discuss any recent or pending Corporate Audits of the business practice being reviewed to determine if there is an opportunity for Compliance to leverage the work being done by Corporate Audit or vice-versa.
- Compliance will define the [Regulatory requirements], develop review plans, and will initiate a review of [the business practices – e.g., Policies, procedures, quality assurance programs, workflows, etc.].
- Compliance will request a dedicated resource(s) to submit requests for data and to answer any relevant questions.
- Compliance will conduct a walkthrough meeting(s) to observe key processes.
- Compliance will request a report identifying [business function/practice] plan for the period beginning [] through [].
- C&E will select a random testing sample of [business function/practice] (sample size to be determined later).
- Compliance will discuss preliminary findings with the business to confirm validity of results.
- Compliance will work with the business to identify and implement reasonable corrective actions, as applicable.

Timeline*:

Milestone	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx
	–	–	–	–	–	–	–	–	–	–	–
	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx
Kick-off meeting (schedule xx/xx)											
Review plan development											
Review Execution											
Draft Findings Report											
Meet with Business											
Discuss findings within Compliance											
Modify Report as needed											
Draft Final Report											
Communicate Findings											
Assign Remediation Items in [System/GRC Tool Name]											

*Pending confirmation of Compliance and business resource availability.

Business Review Information Request

Date: [Date]

Name of Review: [Name of Review]

Lead Reviewer: [Name of Reviewer]

The following is a checklist of items which may apply to the review:

From other support areas (*check all that apply*):

- Contracts or Master Services Agreement, and amendments thereto
- Statements of Work (“SOWs”)
- Results of audits
- Client Self-Assessments
- Independent Audit Results
- Results of Market Conduct Exams (“MCEs”)
- Customer Complaint Report
- Exception Report

From the business area or TPA (*check all that apply*):

- Monthly Wolters Kluwer NILS report
- Policies and procedures, checklists, and/or job aids
- Quality Assurance policies and procedures, checklists, and/or job aids
- Results of Quality Assurance reviews
- Certifications/Attestations or verifications of compliance with regulatory requirements
- Periodic reports or other monitoring tools
- Training materials and evidence of communication and attendance
- Risk assessment pertaining to this subject matter
- Due diligence performed pertaining to this subject matter
- List of clients/transactions from which to select a sample
- Demonstration of the process or walkthrough of the processing area
- Interviews with subject matter experts
- Any other information that may be helpful or useful to inform the review

[Company Logo]

Date: [Date]

Dear [Recipient]:

Under the National Association of Insurance Commissions (“NAIC”) Model Law Third Party Administrator (“TPA”) statute, [Life Insurance Company Name] as the insurer is required to, at least semi-annually, conduct a review of the operations of the administrator¹. At least one such review must be an on-site audit of the operations of the administrator. [In addition, SEC Rule 38a-1 also requires that companies have policies and procedures designed to prevent, detect, and correct violations of Federal Securities Laws.]

To ensure that these requirements are being met, we are arranging an on-site visit to your offices during the month of [Date]. The period (“time-period”) for this review is [start date] to [end date]. To prepare for the on-site review, we are requesting that you provide us with the following information by [Date].

1. *Written Agreement with the Insurer (specifically required by NC)*. TBD
2. *Transaction Report*. Reporting listing all financial activity* processed on this block of business during the period, including:

- [function]

*We will choose a random sample of transactions to review for accuracy and adherence to current procedures and federal and state regulations. During the review, we may require additional background information, which we will request directly through you. Results will be discussed during our onsite visit.

3. *General Administration Policies and Procedures (required by NC, and if applicable, SEC Rule 38a-1)*. Please provide copies of all policies and procedures listed below, including all versions of each policy that was in effect during the period. Please provide a clear description of all changes made to the procedures, the effective date of the change, and an explanation of the change(s).

A. Date and Time Stamping

¹ In response to the COVID-19 public health emergency, several states published bulletins notifying insurers that they were not required to conduct any on-site reviews of third-party administrators for 2020. For 2020 only, insurers may conduct reviews through electronic information to satisfy their on-site review obligations.

- B. New Business Processing
- C. Fund transfers, including any automated programs
- D. Allocation changes
- E. Prevention of Market Timing
- F. Prevention of Late Trading
- G. Loans, loan repayments, and loan interest payments
- H. Surrenders
- I. Withdrawals
- J. Claims
- K. Suspense monitoring
- L. Mailing of Transactions Confirmations
- M. Mailing of Quarterly and Annual Statements
- N. Face Amount Increases/Decreases
- O. Rider Administration

4. *Claims Adjudication and Payment (required by NC)* [Applicability: Currently applies to [\[list claim types applicable\]](#) at [\[Life Insurance Company Name\]](#)]

Please provide a copy of your policies and procedures and/or claims adjudication guidelines and a listing of all [\[list the types of claims\]](#) that were processed during the period. Once received, we will select a sample of cases and will request that you provide the paperwork or other records received to process the claim as well as a copy of the policy application, ownership or beneficiary change requests, historical notes, the most recent annual statement, and all correspondence (including letters, explanation of benefits, confirmation statements) for the claim payment.

5. *Underwriting Services (required by NC)*. [Section will depend on what is being targeted for the on-site review].
[Applicability – Currently applies solely [\[list applicable product lines\]](#).]

Please provide a copy of your policies and procedures and/or underwriting guidelines and a listing of all cases underwritten during the period. Once received, we will select a sample of cases and will request that you provide the application including medical documentation received to process the claim as well as a copy of the policy application, ownership or beneficiary information, historical notes, and all correspondence between the TPA and the customer and/or producer.

6. *Collection of Premium or Other Monies [required by NC, and if applicable, required by SEC Rule 38a-1]*

Please provide a copy of your policies and procedures for [Initial Premium (at time of application) including 1035 Exchange and/or Subsequent Premium], including all versions of each policy that was in effect during the period. Please provide a clear description of the changes made to the procedures, the effective date of the change(s) and an explanation of why the change(s) was/were made. Please provide a listing of all premiums collected during the period. Once received, we will select a sample of cases and will request that you provide a copy of the check and paperwork received with the premium payment and any historical notes.

7. *SEC Rule 38a-1 Violations.* Please provide a listing of all policies in which violations of Federal Securities Laws or failures to follow internal procedures occurred during the period. Your response should include the following:
 - A. A clear description of the violation;
 - B. The detection technique used to identify the violation;
 - C. The corrective action that was taken to rectify the situation;
 - D. The corrective and/or disciplinary action that was taken with the associate involved; and
 - E. The preventative action that was taken to ensure that the violation did not recur.
8. *Prevention of Market Timing and Late Trading.* Please provide a copy of your policies and procedures and copies of logs (database, spreadsheets, etc.) used to track market timing and/or late trading activity. The log should include a description of the activity and then action taken.
9. *Anti-Money Laundering ("AML").* Please provide copies of your policies and procedures, including, but not limited to, Know your Customer, Customer Identification Program and Cash Equivalent handling.
10. *Privacy.* Please provide copies of your policies and procedures. This should include, but is not limited to, the protection of customer information, customer information breach handling, and annual privacy notice mailings. Please provide a listing and description of all violations or breaches that have occurred during the period. In addition, please provide a sample of the privacy notice (including the Montana supplement, if applicable) used during the period.
11. *Exceptions.* Please provide copies of your policies and procedures and copies of logs (database, spreadsheets, etc.) of all circumstances in which an exception to standard, documented procedures occurred during the period. The log should include a description of the exception, the action taken, and the manager approving the exception, if applicable.
12. *Regulatory Change Management:* Please provide a copy of your policies and procedures and any documentation used to ensure the effective implementation of new or changes to

existing Federal or State regulatory requirements. Please provide samples of recently enacted regulations along with supporting documentation evidencing the implementation, as well as confirmation from the impacted business areas reflecting compliance.

13. *Complaints*: Please provide a copy of your policies and procedures and a copy of the complaint log with all complaints received during the period.

At the time of the visit, please allot time and resources to participate in discussions regarding the information requested above.

We will make every effort to coordinate our onsite review to avoid disruptions to your business activities. We expect to be onsite for [x] day(s). Should you have any questions prior to our visit, please feel free to contact me.

Sincerely,

[Name], [Title]
[Department, Company Name]

TPA Onsite Review

Under the National Association of Insurance Commissioners (“NAIC”) Model Law Third Party Administrator (“TPA”) statute, [Life Insurance Company Name] as the insurer is required to, at least semi-annually, conduct a review of the operations of the administrator. At least one such review must be an on-site audit of the operations of the administrator.

As part of the on-site review [Life Insurance Company Name]’s Compliance Department has asked the representing employee to note and communicate any observations or concerns from their visit in addition to completing the following information.

Facilities Access

Question	Yes	No	N/A
Is there a badge access system which employees must use to access the TPA’s facility?			
Are guards and video surveillance used to monitor physical access to the TPA’s facility?			
Is there video surveillance where checks/money is handled?			
Is access to restricted areas (such as system server rooms) within the TPA’s facilities controlled by a badge access system?			
Are visitors required to sign-in when on site at the facilities?			
Are visitors required to be always accompanied by a TPA employee when on site at the facilities?			
Are cleaning crews required to have badge access to the facilities?			
Does the TPA have security on site when the cleaning crews are present at the facilities?			
If there is an onsite data storage system at the TPA’s location, are there fire extinguishing systems on location?			
Where work involving hard-copy files is processed, are employees provided locked cabinets to store [Life Insurance Company Name] information?			
Does the TPA’s management conduct privacy audits to ensure the protection of [Life Insurance Company Name] information?			
Are there mail stations for employees? If yes, are these locked at day’s end?			
Are employees required to maintain a clean desk policy where workstations (including printers and fax machines) are clear of information prior to leaving for the day?			

Please note any observations you had upon your review of the TPA’s facilities with respect to the questions above or any other observations/concerns you may have had:

Incoming Mail and Imaging:

Is mail received directly at the TPA or is a PO Box utilized?
How is mail kept separate from one client company to another?
How are checks stored overnight? Is there a fireproof safe used?
If a PO Box is used, how many pick-ups are made and what are the times and frequency?
How is the receipt date and time captured for incoming mail?

Process Confirmation(s):

Please review the transaction instructions of the above process(es) and perform a confirmation of this/these transaction(s). In the space below, if applicable, please describe any updates to the instructions that should be made to ensure that future transactions are executed correctly.

Please note any observations or concerns around the mail handling or imaging process below:

On behalf of [\[Life Insurance Company Name\]](#), I have visited the Third-Party Administrator and received or observed the recorded answers above. Any concerns or issues captured above will be communicated to [\[Life Insurance Company Name\]](#)'s Compliance Department.

_____ Life Company Employee _____ Date(s) of Visit

TPA Visited
Life Company
Employee Signature

TPA Location
Date Signed

[Life Insurance Company Logo]

Date: [Date]

From: [Name]
[Title]
[Phone Number]

[TPA Contact]
TPA Name]
[Address]
[City, State and Zip Code]

OR

[Vendor Relationship Manager]

Re: [Life Insurance Company Name] [1st or 2nd] [Year] Third Party Administrator Review for [TPA Name]

Dear [TPA/VRM Contact]:

To satisfy the requirements under the National Association of Insurance Commissioners (“NAIC”) Model Law¹ we will be conducting a review from the [Life Insurance Company Name] Home Office [or TPA’s office for on-site], for the period of [insert date range] (the “Period”).

For our review, we will request that you provide us with the following information by [Month] [Day], [Year].

1. **[SE2] Financial Transactions Report:** Please provide detailed reports of all the annuity and variable universal life blocks of business’ financial activity* processed during the Period, including, but not limited to:
 - Loans
 - Surrenders, Partial Withdrawals and Death Claims
 - Fund Transfers
 - Contributions or Payments, including (initial, subsequent and loan repayments)

¹ Under the National Association of Insurance Commissioners (“NAIC”) Model Law Third Party Administrator (“TPA”) statute, [Life Insurance Company Name] as the Insurer is required to, at least semi-annually, conduct a review of the operations of the administrator. At least one such review must be an on-site audit of the operations of the administrator. [SE2 variable: In addition, SEC Rule 38a-1 also requires that companies have policies and procedures designed to prevent, detect, and correct violations of Federal Securities Laws relative to variable life insurance and variable annuities.]

- Free Looks
- [Maturities]

Please provide this information in the reporting format provided in the [\[reference prior review\]](#) Third-Party Administrator review, including the contract owner’s date of birth.

2. **[SE2 variable - General Administration Policies and Procedures:** (required by SEC Rule 38a-1; or specifically required by North Carolina): [\[Company Name\]](#) understands that SE2 maintains policies and procedures (“Guidelines”) on a secure website that [\[Life Insurance Company Name\]](#) may access.

- Please confirm that the Guidelines that were in effect during the Period are accessible on this website.
- If any of the Guidelines are not accessible for either line of business or there was a different version in place during the period, please provide a copy.
- Please provide a listing of all Guideline names relative to the following transactions for each line of business:
 1. Collection of Premiums or Other Monies (including 1035 Exchange, Initial Premium; and/or Subsequent Premium)
 2. Death Claims
 3. New Business Processing]

3. **[SE2 variable – Compliance Reporting:**

- **Prevention of Market Timing and Late Trading:** Please provide a copy of your policies and procedures as well as copies of logs (database, spreadsheets, etc.) used to track market timing and/or late trading activity during the Period. Please provide contract or policy numbers of contracts which have had any warning or restriction notices sent.

If prevention of Market Timing and Late Trading is automated, please provide an extract of transactions that were processed through the system(s) used to monitor these controls in addition to a report of transactions processed outside of the system(s), how these were reviewed, explanation why these were processed outside of the normal guidelines, and action taken to ensure these transactions are processed in accordance with the guidelines.

- **Compliance Reporting:** With respect to the compliance reports produced during the Period for variable annuity and life business, were there any instances where information was not provided to [\[Life Insurance Company Name\]](#) within the appropriate compliance reporting period? If so, please explain.]
4. **Contractual Compliance:** Please advise if you are aware of any instances where either party has failed to comply with contractual stipulations during the Period, or if any significant issues, concerns, or risks have been identified related to the administration of [\[Life Insurance Company Name\]](#) policies.

OR

[Contractual Compliance and General Administration: Please advise if you are aware of any instances where either party failed to comply with contractual stipulations during the Period, or if any significant issues, concerns, or risks have been identified related to the administration of [Life Insurance Company Name]'s policies. Additionally, please advise if you are aware of any instances in which [TPA] has failed to comply with internal procedures, or if there have been any significant issues, concerns, or risks identified.]

5. **Services:** Please confirm if there have been any changes to the Services performed on [Life Insurance Company Name]'s behalf and if there are any changes currently under consideration. In addition, please confirm if there have been any new contracts since SOW [] and SOW [] or if there have been any existing contracts terminated (MSAs, SOWs, Amendments, etc.)
6. **Privacy: [Request once a year]** Please confirm that there have not been any changes to your policies and procedures since the last review. If there have been changes, please provide an overview of these changes. Additionally, please confirm that the most up to date Privacy Guidelines are on the SharePoint site. If a different version(s) of the Privacy Guidelines were in use that are not on the SharePoint site, please provide a copy.

Please provide a listing and description of all violations or breaches that have occurred during the Period. Also, please provide a sample of the privacy notice (including the Montana supplement, if applicable) used during the Period.

OR

[Privacy: [Request once a year] Please confirm the below Privacy related documents are the most up to date and are still in use or provide copies of any new or revised documents highlighting any changes

Please provide a listing and description of all violations or breaches that have occurred during the Period.

7. **Anti-Money Laundering (“AML”): [Request once a year during the end of year review (i.e., 1st review)]** Please confirm that there have not been any changes to your policies and procedures since your last review. If there have been changes, please provide copies of the updated policies and procedures which took effect during the Period. If there were any concerns with AML reporting during the Period, please provide detail.

Please provide a copy of the Anti-Money Laundering (“AML”) training provided to associates handling [Life Insurance Company Name] business and a complete employee ID listing and last completion date of the training.

8. **Customer Complaints and Regulatory Inquires: [Request once a year]** Please confirm if [Life Insurance Company Name] Complaint Procedure dated [Date] is still in use or provide a copy of any new or revised documents highlighting any changes.

Please provide a copy of the complaint log listing any customer complaints or regulatory inquiries received during the Period.

OR

[Customer Complaints and Regulatory Inquires: [Request once a year] Please provide a listing of all policies in which a complaint or regulatory inquiry was received during the period of [Month] [Day], 202x.]

OR

[Customer Complaints and Regulator Inquires: [Request once a year] Please provide a listing of all policies in which a complaint or regulatory inquiry was received. Please confirm all complaints and regulatory inquiries received during the Period were forwarded to [Life Insurance Company Name]. If there have not been any complaints for the Period, please note as such.]

9. **Exceptions:** Please confirm if Procedures dated [Date] are still in use or provide a copy of any new or revised documents highlighting any changes.

Please provide a copy of the exception log listing any exceptions requested during the Period.

OR

[Exceptions: Please provide a copy of the most up to date exception log listing any exceptions requested during the period of [Review Period].

OR

[Exceptions/Business Decisions: Please provide confirmation that all Level 2 and 3 exceptions to policies and procedures were forwarded to [Life Insurance Company Name] prior to processing during the Period. If there were instances that were not sent to [Life Insurance Company Name] prior to processing, please provide specific details, in addition to how exceptions are tracked]. If there have not been any Level 2 or 3 exceptions made during the Period, please note as such.]

10. **Third Party Administrator Licensing: [Request during 2nd review of the year]** Please provide a listing of states where an active TPA license is maintained, as well as the expiration dates for those licenses.

If a license is maintained to conduct business on behalf of [Life Insurance Company Name] other than a TPA (i.e., Insurer), please indicate these states, the licensing type, and the expiration date.

If business is conducted in a state where an exception to the TPA licensing has been granted, please provide an explanation of the exception.

11. **[Claims Administration:** Please provide a copy of your most up to date procedures and/or claims adjudication guidelines.

Please provide a list of all death claims received during the Period.]

12. **Premium Handling:** Please confirm the below procedures are still in use or provide copies of any new or revised documents highlighting any changes.

OR

[Premium Handling: Please provide a copy of your most recent procedures for handling of premium payments for individual and group applications. Additionally, please provide a report listing the individual and list bill premium payments that were applied to policies during the period.

13. **[Outgoing Benefit Payments:** Please provide a copy of the most recent procedures for handling outgoing benefit payments and a report listing all outgoing payments during the period of [Month] [Day], 202x through [Month] [Day], 202x. Once a sample of policies is selected we will request the Explanation of Benefits (“EOBs”), claims documentation, and Benefit Schedules associated with these policies.]
14. **[Premium Rate Increase:** Please provide a report listing all policies with a premium rate increase applied within the past year. Once a sample of policies is selected we will request the [Personalized Options Election Form] documents associated with these policies.]
15. **[Annuity Replacement Processes:** Please provide any changes made to the processes associated with incoming or outgoing replacements, including any state-specific processes. If no recent changes have been made, please note as such.

Timeline*:

Milestone	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx
	-	-	-	-	-	-	-	-	-	-	-	-
	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx	x/xx
Kick-off meeting (scheduled [Date])												
Review plan development												
Review Execution												
Draft Findings Report												
Meet with Business												

Discuss findings within Compliance											
Modify Report as needed											
Draft Final Report											
Communicate Findings											
Assign Remediation Items in [System/GRC System]											

*Pending confirmation of Compliance and business resource availability.

During the review, we may need to request additional information and will keep you apprised as soon as possible. Results will be communicated during the review. Should you have any questions in advance of providing this information or throughout the review, please feel free to contact me.

Sincerely,

[\[Name\]](#), [\[Title\]](#)
[\[Department\]](#), [\[Life Insurance Company Name\]](#)
Telephone [\[Phone Number\]](#)

[Company Logo]

**[Year] Third Party Administration
Business Review of
[TPA Name]**

Report Date: [Date]

Prepared By: [Name]
[Title]
[Department]

I. Executive Summary

[Life Insurance Company Name] Compliance (“Compliance”) reviewed selected administrative practices from [Life Insurance Company Name] Home Office [or TPA’s office for on-site] for the period of [insert date range] (the “Period”).

- [State **What’s New** and **Why it Matters** by summarizing significant findings and observations]

II. Objectives of Review

- 1) Assess the adequacy and effectiveness of policies and procedures, and
- 2) Identify deficiencies or gaps that may expose [Life Insurance Company Name] to compliance or regulatory risk.

III. Scope of Review

[Describe the scope of the review, including testing sample sizes where applicable.]

- Use Headers and Bullet Points where applicable

IV. Findings and Mitigations

The following are the findings identified with the corresponding mitigations where applicable:

1. [Summarize any failures or issues requiring mitigative action and the associated risk(s). If there are multiple instances a specific issue that all require the same mitigative action, these may be grouped together.]

[Describe each specific failure or issue, repeat as needed]

Mitigation:

- 1.1 [Describe each mitigation tied to the issue, repeat as needed]

Business Owner(s): [Owner Name]

Target Date: [Date]

V. Observations and Recommendations

[Provide any observations of note, including suggestions for improvements that would further strengthen controls, suggested non-critical guideline updates, or any gaps identified that did not require specific mitigative action.]

III. Background

Requirement. The National Association of Insurance Commissioners (“NAIC”) Model Third Party Administrator statute (the “Model”), as adopted by the states, generally requires [Life Insurance Company Name] as the insurer to have a written agreement between the Third Party Administrator (“TPA”) and the

insurer, and at least semi-annually, the insurer must conduct a review of the operations of its TPAs, one of which must be on-site. Some states have adopted variations of the model inclusive of additional requirements such as North Carolina, which requires an insurer to file an annual certification of completion of the reviews with the Commissioner when the TPA administers benefits for more than 100 certificate holders.

Services Provided. [Summarize the services provided by the TPA as per the applicable Master Services Agreement (“MSA”) and/or Statement of Work (“SOW”) documents, including specific products or product lines being serviced, and policy/contract/certificate counts.]

[Add Company Logo]

Date: [Date]

To:

From: [Name]
[Title]
[Department]

Cc: [Name], [Title]
[Name], [Title]

Re: Compliance Business Review of certain [insert business practice or function]

I. Executive Summary

The following findings were identified during this review:

- Controls lacking for [Add description]
- [Add description] process needs to be strengthened to accommodate non-standard [add content]
- [Data file considerations]

[Add content] management will implement the following:

- Develop an action plan to ensure [Add content]. [Month/Year]
- Establish an action plan to correct [Add content]. [Month/Year]
- Develop an action plan for identifying any [Add content]. [Month/Year]
- Develop an action plan to improve [Add content]. [Month/Year]

II. Overview

[Add content.]

III. Scope of Review

[Provide brief description of what was reviewed (policies and procedures; transaction types; etc.)]

Compliance initiated a [limited scope] [operational] business review to evaluate policies, procedures, and manual processes around two targeted administrative functions. They are:

- [Insert description]; and
- [Insert description]

Testing Methodology

[Optional] [Provide brief description of testing methodology used]

IV. Findings/Corrective Actions

The following issues were identified, noting the most significant items first. We have identified corrective actions and target deliverable dates to address these gaps and/or deficiencies. Once corrective actions and target deliverable dates are finalized, we will work in concert with our business partners and Legal to address the outstanding items.

Corrective Actions:

- [Describe action to be taken.]
[Describe impact/risk regarding each finding.]

Business Owner(s): [Name], [Title]
[Name], [Title]

Action Deliverable Date: [Add date]

V. Additional Observations and Best Practices Recommendations

- [Add content.]