



NorthStarExams

Insurance Regulatory Consultants and Examiners

Office:
6605 Kennedy Drive
Colleyville, TX 76034
817.939.9040
www.northstarexams.com

Donald P. Koch, CIE, AMCM
9032 Ninnis Drive
Juneau, AK 99801
Cell: 302.743.8445
Email: don.koch@northstarexams.com

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Revised Proposal for Process Review Methodology

Since last I joined you in a conference call, I have revisited the proposal submitted earlier. The revised proposal was distributed prior to the meeting on April 27, 2017. I realized following an exchange of emails with others that the effort to complete a chapter as I had laid it out was going to be an unnecessarily long and difficult process.

The chapter originally submitted had too much of its content “under construction” so I decided that my best focus would be to complete the project. I have gone back through the proposal and rewritten everything from Section F to the end. The chapter is now complete.

Sections A – E

There are minor tweaks in Sections A through E. Nothing particularly substantive. Spacing is a little different so it does not cover as many pages. blank pages have been removed.

Section F

I did a major rework of Section F. Rather than name each process used, I have referred directly to the standard from which it is drawn. I then went through each chapter in order and addressed each standard. I have not included the chapters on Advisory Organizations, Viatical Settlement Providers or Premium Finance Companies. I have made placeholders for those regulated entities but have not included them. My recommendation would be to remove them altogether.

Section F deals with the information the examiner needs to start the examination. This is where the information needed to perform a review is detailed. The first 10 questions are the same for all processes. Questions 11 and up are aimed at the specific standard tested. These questions are found on pages 20-97. More questions can be developed directly from the applicable standard, depending on the reason for targeting the examination.

Section G - H



Sections G and H have been combined into a Section G (Pages 98-101) and has been substantially reduced. Once you have the responses to the questions in Section F, you need to determine how the examiner will consider the information provided. What kinds of questions should the examiner be asking of the responses that have been provided? Section G provides some guidance. This is more on the order of a high-level approach that had been suggested to me. Sections G and H would have been subject to far too many variables to ever finish properly so it has been structured as a guideline so the examiner knows the approach to be used.

Section I

Old Section I has been re-lettered as Section H. This section has minor editorial changes. This is the maturity table that aids the examiner's evaluation of the process reviewed.

Section J

Old Section J has been removed as not necessary.

Comments

I have tried to make revisions that would enhance the utility of this methodology. If the level adopted is too high, I am concerned that its utility would be impaired. If the approach has insufficient content, frankly, I doubt it will be used.

I believe that the information that derive from examinations utilizing this tool would vastly improve the analytical capability of the NAIC of the regulated industry.

I know that the NAIC has been concerned with applying some form of accreditation to market conduct examinations sometime soon. I believe that adoption of this proposal will enhance your ability to accomplish that goal as well. If your examination process meshes the historic results of an examination with the identification of causation of error and the viability of a regulated entity's current compliance efforts, and this is done by a majority of examiners, you will have improved the examination process and provided an expectation for those doing examinations. Seems to me, that is where you want this process to go.

Sincerely,

Don Koch