Compliance Risk Assessment is the review and analysis of information and data about a company to
determine areas of potential compliance deficiencies and to prioritize examination resources for review
of those areas.

A proposed outline for development of guidelines for performing a compliance risk assessment in the
market conduct examination (risk focused examination) is as follows:

**Information Gathering**

- Compliance Materials
  - Documents and data identified in the NAIC Market Regulation Handbook for each
    applicable standard
  - Complaint data and trends from Company, DOI and NAIC (Include Grievances and
    Appeals for Health
  - Compliance history (NAIC data bases and DOI)
  - Prior Market Conduct Examination Reports
  - Level I and Level II Market Analysis Summaries
  - Internal and Independent Audits
  - NCQA or URAC reports
  - Policies and Procedures related to NAIC Handbook Standards
  - Litigation logs
- Financial Information
  - Annual and Quarterly Financial Statements
  - Financial Examination Reports
  - Annual Financial Audit
  - Credit Rating Service Summaries (A.M. Best, Standard and Poor’s, Moody’s
- Other
  - Company website
  - DOI Website
  - Social Media
- Issue interrogatories to:
  - Obtain statements from the company regarding business practices and processes that are
    not documented in other materials
  - Obtain information that is unique to the examination
  - Obtain statements to clarify conflicting information that has been received
- Perform interviews focusing on governance and controls related to NAIC Market Regulation
  Handbook Standards
  - “C Level” managers, as needed
  - Process managers, for key areas:
    - Company Operations and Management
    - Complaint Handling
    - Producer Licensing
    - Policyholder Services
• Marketing and Sales
• Underwriting and Rating
• Claims
• (Additional Standards for Health)

Data Analysis

• Is the data requested complete? If something is missing or incomplete, why?
• Does it provide evidence of compliance with NAIC Handbook Standards?
• Are there indications of compliance concerns? (Examples)
  • Policies and procedures don’t exist
  • Policies and procedures that aren’t compliant
  • Adverse complaint trends
  • Inconsistencies between policies and procedures, and interview statements
  • Disclosed information from interviews
  • Disclosed information from interrogatories
  • Prior audit or exam findings that have not been addressed
  • Adverse findings in Level I and Level II reviews
  • Adverse compliance history

Development of the Detailed Workplan

• Rank the areas of compliance risk
• Define scope of additional review
• Define additional in-depth testing
• Define alternative approaches such as IT Forensics, investigations, or self–audits
• Create a detailed workplan

Performing the Examination

At this point, the market conduct examination follows traditional NAIC Market Regulation Handbook Methodology.

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