

I. Introduction A. Department Organization and Communication

Refer to the III.A.4 Analyst Reference Guide for further guidance on communication between analysts and examiners.

Communication from Other Divisions or Areas to the Financial Analyst

In addition to intra-department communication, which originates within the financial analysis division, it is equally important that the department's procedures be designed to ensure relevant information and data received by the other divisions within the department be directed to the financial analysis division. The following are some examples of information or data that may be received by other divisions within the department (including an indication of the functional unit that would likely have received the information or data), which should be directed to the financial analysis division for consideration as a part of the financial analysis process:

1. Information from Risk-Focused Financial Examination:
 - a. If recently completed, the SRM, financial condition examination reports and management letter comments that include significant adjustments to the financial information reported to the department, corrective actions required to be taken by the insurer, and/or recommendations for improvements based on examination results. (See above)
 - b. If an examination is in progress, communication from examination staff should include information on the planning, progress and preliminary findings, based on the phase of the examination Risk-Focused Financial Examination.
 - c. Any relevant information obtained in planning the financial examination stage.
2. Market conduct examination reports containing corrective actions required to be taken by the insurer as a result of violations in sales, advertising, rating, and/or claim practices, which might be an indication of financial problems or lead to the risk of financial losses through class action suits or regulatory fines (market conduct examinations).
3. An increase in the number or type of complaints filed by policyholders, claimants, employees, agents, or third parties that could indicate liquidity or internal control problems (consumer affairs).
4. Corrective orders and other regulatory actions taken against an insurer and fines and penalties levied (enforcement).
5. New policy form filings or expansion into new lines of business, including high-risk and long-tail lines of business, which might imply planned rapid growth to obtain premiums in order to improve liquidity or cover prior losses (policy/forms analysis).
6. Requests for significant premium rate increases, which might be an indication of insufficient rates to cover losses and expenses in the past (rate filings).
7. An increase in the licensing of agents, including managing general agents or third party administrators, which could indicate planned rapid expansion or relaxed underwriting standards (agent licensing).
8. The use of managing general agents or third party administrators, which might be an indication that the insurer is not in control of its operations (agent licensing).
9. Information that management personnel of an insurer (including officers, directors, or any other persons who directly or indirectly control the operations of the insurer) fail to possess and demonstrate the competence, fitness, and reputation deemed necessary to serve the insurer in such a position (legal).
10. The unexpected resignation of an insurer's officer(s), director(s), or other key management personnel, which might indicate internal turmoil or dissatisfaction with the insurer's goals or operating practices (legal).

I. Introduction D. NAIC Information

Financial Exam Electronic Tracking System (FEETS)

To assist in the coordination of risk-focused financial condition examination, state insurance regulators use the NAIC's Financial Exam Electronic Tracking System (FEETS). FEETS allows state insurance regulators to call an examination of a multistate insurer, facilitate coordination via various functionality within the program, communicate the completion of an examination and share the completed version of the department's examination report. Use of FEETS on iSite+ is required by the NAIC when calling examinations on multistate insurers and is recommended for all examinations.

Regulatory Information Retrieval System

The Regulatory Information Retrieval System (RIRS) is a computerized database that contains information regarding formal administrative and regulatory actions taken against insurers and insurance agents. Information on the RIRS includes the insurer or insurance agent against which formal administrative or regulatory action was taken, the date of the action, the state taking the action, the reason for the action, the disposition, and the amount of monetary penalty levied. The RIRS relies on input from state insurance departments of all final actions taken and is available online to all state insurance departments.

Complaints Database System

The Complaints Database System (CDS) is a computerized database that contains information regarding consumer complaints filed against a firm or individuals in the insurance industry. The CDS provides state insurance departments with the ability to evaluate an insurer's comparative performance in the marketplace. Complaint reports can be generated by coverage, complaint reason, count, or time depending on the criteria selected.

X Market Actions Tracking System (MATS)

The Market Action Tracking System (MATS) provides state insurance regulators a way to communicate action schedules and results. Actions include market conduct examinations or other actions on the continuum of regulatory responses. MATS includes functions for calling market regulation actions, reporting and access to full information about the people involved in the market action. MATS can also be used to view or update action information for a specific entity, individual, non-risk bearing entity or company.

X Market Analysis Review System (MARS)

The Market Analysis Review System (MARS) is available to specific state regulator users for the purpose of tracking, recording and reviewing Level 1 analysis and Level 2 analysis completed by other state regulators. A Level 1 analysis requires an analyst to analyze specific company information to determine if any market conduct issues are present. The Level 1 analysis is a detailed review of certain information contained in NAIC databases. A Level 2 analysis requires the market analyst to seek input and gather information from sources outside of the NAIC databases and the company's financial and market conduct annual statements. By its very nature, a Level 2 Analysis is much more labor intensive than a Level 1 Analysis.

Global Receivership Information Database

The iSite+ application Global Receivership Information Database (GRID) allows the regulator to review the status of a receivership (e.g., conservatorship, rehabilitation, or liquidation). GRID provides information including contacts, company demographics, post receivership data, creditor class/claim data, legal data, financial data, and reporting data.

III.A.6. Template for Planning Meeting with Financial Examiner

Overview

This template is intended as an optional tool highlighting items that may be discussed during a planning meeting between the assigned financial analyst and the financial examiner in support of the financial exam process. This meeting should ensure that the examiner both understands the company that will be examined and also receives details on work that has already been performed in supervising the company's operations. An effective exchange of information will promote efficiencies in the financial examination process by allowing the examiner to leverage the knowledge and work performed by the financial analyst. It may also prove useful to supplement this meeting with a discussion of the Exam Planning Questionnaire (Exhibit B) so that the analyst can review during the discussion to highlight or indicate if a document being requested has been obtained and/or reviewed by the insurance department. Although this template focuses on discussions between the assigned financial analyst and the financial examiner, the examiner may also consider incorporating this discussion into a broader planning meeting with members of department management and representatives from other areas of the department. However, if such an approach is taken, it should not reduce or diminish the level of discussion between the analyst and the examiner.

Given the importance of the Insurer Profile Summary (IPS) in communicating the results of the department's financial analyst's review of the company's operations, the planning meeting with the analyst is intended to generally follow the format of the IPS template.

Depending on the significance of operations at the group level, the examiner should consider whether additional agenda items should be added to focus on risks posed and discussed on the Group Profile Summary that are relevant for consideration during the examination.

NOTE: The exhibit was prepared to assist examiners in obtaining a general knowledge of the company through the meeting with the analyst. The examiner leading the discussion should not rely exclusively on these topics and should tailor agenda items based on knowledge of the company and based on knowledge of work that has been performed by the department.

Planning Meeting Between the Financial Analyst and Financial Examiner – Agenda Items

1. **Business Summary** – Discuss a summary of the business operations and lines of business of the insurer.
 - a. Discuss whether the department has received a recent business plan from the company and has identified any significant changes in strategy/operations.
 - b. Discuss any recent meetings with the company and their potential impact on the examination.
 - c. Discuss the corporate governance in place at the company and any recent changes or concerns identified.
2. **Regulatory Actions** – Discuss any significant recent steps taken in supervising the company, including, but not limited to:
 - a. Granting of permitted practices
 - b. Identification of issues of non-compliance
 - c. Follow-up on items from the last financial examination
 - d. Review of items filed with the department for approval
3. **Financial Snapshot/Overview of Financial Position** – Discuss the company's recent financial results, including, but not limited to:
 - a. Changes in profitability trends.
 - b. Deterioration in asset quality, liquidity or capital adequacy.
 - c. Changes in investment holdings and strategy.

III.A.6. Template for Planning Meeting with Financial Examiner

- d. Changes in key annual statement balances.
 - e. Changes in reinsurance balances and program structure.
 - f. Significant results noted in financial analysis solvency tools.
4. **Branded Risk Assessments** – Discuss individual branded risk assessments with a focus on moderate and significant areas of concern. For example:
- a. Discuss a summary of detailed analysis work performed to address key issues.
 - b. Discuss the status of any outstanding inquiries or requests for the company.
 - c. Discuss any management representations to the department that should be verified or corroborated during the exam.
 - d. Discuss any recommended exam procedures and/or follow-up on key issues.
5. **Impact of Holding Company on Insurer** – Discuss the impact of the holding company system on the domestic insurer. For example:
- a. Discuss and obtain the Group Profile Summary and non-lead state holding company analysis work as necessary.
 - b. Discuss whether the analyst's review of the Corporate Governance Annual Disclosure, Own Risk and Solvency Assessment (ORSA) Summary Report and/or Form F reporting indicate a need for additional follow-up and review during the exam.
 - c. Discuss any developments or follow-up items resulting from recent supervisory college sessions.
6. **Overall Conclusion and Priority Rating** – Discuss the analyst's overall conclusion on the company's financial condition, strengths, weaknesses, and priority rating assigned to the company.
7. **Supervisory Plan** – Discuss the analyst's plans for the ongoing supervision of the company, including any specific examination procedures identified.
8. **Access to Work Papers and Company Documents** – Discuss the best way that the analyst's work can be reviewed/obtained. As the number of files that examiners wish to review and obtain increases, they may consider obtaining access to the analyst's workpapers and receiving specific locations (i.e., workpaper references) for all requested documents.
9. **Input from Other Areas of the Department** – Discuss whether the analyst has received recent communications from other areas of the insurance department regarding issues that could affect the financial examination including, but not limited to, units in charge of:
- a. Approving rates and forms filings
 - b. Legal and administrative matters
 - c. Market conduct examinations/filings
10. **General Observations** – Depending on the information already provided, determine whether there are any additional topics relevant for discussion, such as:
- a. If you were going on-site to examine this company, where would you focus your time?
 - b. What are your biggest concerns in terms of things that could go wrong at this company to result in a solvency concern?
 - c. Are you aware of any fraud allegations or concerns at the company? Are there any fraud risk factors that the exam team should be aware of?

III.B.2.a. Legal Risk Repository – Annual (All Statement Types)

Legal Risk: Non-conformance with laws, rules, regulations, prescribed practices or ethical standards in any jurisdiction in which the entity operates will result in a disruption in business and financial loss.

Note: The repository is not an all-inclusive list of possible procedures. Therefore, risks identified for which no procedure is available should be analyzed by the state insurance department based on the nature and scope of the risk. Also, note that key insurance operations or lines of business, for example, may have related risks addressed in different repositories. Therefore, the analyst may need to review other repositories in conjunction with legal risk. For example, market conduct is also addressed as a reputational risk.

Analysis Documentation: Results of legal risk analysis should be documented in Section III: Risk Assessment of the insurer.

 **Market Conduct**

1. Determine if concerns exist regarding market conduct, including complaints, market conduct actions, communication with market conduct staff, etc. If concerns exist, communicate risks/issues to the state insurance department’s Market Conduct Unit to investigate further.

	Other Risks	Benchmark	Result	Outside Benchmark
a. Review any market conduct information available from the NAIC market analysis tools and databases (MAP, MARS, MATS, RIRS, & MCAS). Note any unusual items or negative trends that translate into financial risks or indicate further review is needed.	RP*			
i. Count of Regulatory Actions: <ul style="list-style-type: none"> • Current Year • Prior Year • Second Prior Year 			[Data]	
ii. Aggregate of Regulatory Fines: <ul style="list-style-type: none"> • Current Year • Prior Year • Second Prior Year 			[Data]	
iii. Market Conduct Examination Called or Concluded: <ul style="list-style-type: none"> • Current Year • Prior Year • Second Prior Year 		=YES	[Data]	[Data]
b. Average number of days of unpaid claims (<i>Health</i>)	LQ*, RP	>30 days	[Data]	[Data]
				<i>Other Risks</i>
c. Review any market conduct information, including information available from the state’s market analysis department (such as the Market Analysis Chief or the Collaborative Action Designee). Note any unusual items that translate into financial risks or indicate further review is needed.	RP*			
d. Review any inter-departmental communication, as well as communication with other state, federal or international insurance regulators and the insurer. Note any unusual items or prospective risks that indicate further analysis or follow-up is necessary.	RP*			

III.B.2.a. Legal Risk Repository – Annual (All Statement Types)

e. If market conduct information is unusual and indicates potential financial risks, perform the following procedures: <ul style="list-style-type: none"> i. Describe and document the findings of the most recent market conduct examination and analysis and communication with the insurance department’s market conduct staff. ii. Describe any current or future actions of the insurance department, other state insurance departments or other regulatory bodies against the insurer related to market conduct violations. iii. Describe the actual or projected financial impact of any settlements, fines, or remediation to operations and surplus. 	RP*
f. If concern is noted in 1.b., review the Financial Profile Report to identify changes in the average number of days of unpaid claims in past years for unusual fluctuations or negative trends between years.	
g. If concern is noted in 1.b. or 1.f., determine if the insurer has met state statutes and regulations regarding timely payment of claims.	

Litigation, Legal and Government Expenses

2. Determine if concerns exist regarding expenses for litigation, legal or government.

	<i>Other Risks</i>	<i>Benchmark</i>	<i>Result</i>	<i>Outside Benchmark</i>
a. Investigate any individual payments for legal expenses that represent 25% or more of total legal payments made during the year [Annual Financial Statement, General Interrogatories, Part 1, #39.1 and #39.2]		=YES	[Data]	[Data]
b. Legal expenses of investigation and settlement of policy claims to total legal expenses (Life only) [Annual Financial Statement, Exhibit 2, Line 4.5]		>=75%	[Data]	[Data]
c. Investigate any individual payments for government expenditures in connection with matters before legislative bodies, officers or government departments that represent 25% or more of total legal payments made during the year [Annual Financial Statement, General Interrogatories, Part 1, #40.1 and #40.2]		=YES	[Data]	[Data]
				<i>Other Risks</i>
d. Compare legal expenses with industry averages (Note: Industry aggregate totals are available in the NAIC publication <i>Statistical Compilation of Annual Statement Information</i> .)				
e. Review Annual Financial Statement, Schedule P – Part 1 for Defense and Cost Containment Expenses, Notes to Financial Statements Note #23 for Reinsurance Recoverable in Dispute and Note #14G for Contingencies. Were any legal concerns identified based on this review?				
f. Were any legal concerns identified during the review of the Annual Financial Statement including the Notes to Financial Statements, Audited Financial Report, or Examination findings and follow-up monitoring?				

III.B.2.a. Legal Risk Repository – Annual (All Statement Types)

Own Risk and Solvency Assessment (ORSA) Summary Report:

If the insurer is required to file ORSA or part of a group that is required to file ORSA:

- Did the ORSA Summary Report analysis conducted by the lead state indicate any legal risks that require further monitoring or follow-up?
- Did the ORSA Summary Report analysis conducted by the lead state indicate any mitigating strategies for existing or prospective legal risks?

Holding Company Analysis:

- Did the Holding Company analysis conducted by the lead state indicate any legal risks impacting the insurer that require further monitoring or follow-up?
- Did the Holding Company analysis conducted by the lead state indicate any mitigating strategies for existing or prospective legal risks impacting the insurer?

Example Prospective Risk Considerations

<i>Risk Components for IPS</i>		<i>Explanation of Risk Components</i>
1	Market conduct examination/material findings	If a market conduct exam is being conducted or recently concluded, the reasons for calling the exam or the findings from the exam are material issues the insurer will need to correct.
2	Impact of ongoing market conduct remediation	If a recently concluded market conduct examination resulted in regulatory requirement to perform remediation (E.g., reprocessing denied claims) the financial impact may be material to the insurer.
3	Claims payment timeliness issues	The insurer is in violation of claims payment timeliness requirements under state law.
4	Material pending litigation	The insurer has reported material litigation pending, the impact of which is uncertain.
5	High legal expenses due to ...	The insurer has reported high legal, litigation or government expenses that are material to overall operating expenses.
6	Compliance violation for ...	The insurer is in violation of compliance with any state laws, regulations, filing requirements or other requirements of the state insurance department. The analyst should specify the violation and the impact.
7	Violation of federal [or other jurisdiction] laws and requirements for ...	The insurer is in violation of compliance with any federal, international or other states' laws.
8	Regulatory findings/actions taken by [specify the other regulatory authority]	Material findings or actions have been taken against the insurer by another regulatory authority, such as federal agencies (CMS, U.S. Securities and Exchange Commission [SEC], etc.).
9	Material fraud investigation results in ...	State's fraud investigation results in material findings against the insurer, its management or board of directors.
10	[None exist or concerns over] ethical standards required of senior management	Concerns exist if the senior management is not required to comply with ethical standards or if senior management is found not to be in compliance with those standards.



III.B.2.a. Legal Risk Repository – Annual (All Statement Types)

11	Audit report is [type other than unmodified]	The type of audit report was modified (qualified, adverse or disclaimer) for reasons stated in the report, or includes an emphasis of matter paragraph that raises potential concerns (i.e., going concern issue).
12	Audit report [material differences or material audit adjustments]	The audit report identified material differences to the filed Annual Financial Statement and/or resulted in material audit adjustments that will be made to the current or next financial filing.
13	Material internal control weaknesses [and impact of corrective action plan]	Material weaknesses in internal controls are noted in the Management’s Report of Internal Controls Over Financial Reporting. This also may include the financial impact of any corrective actions the insurer is undertaking to correct the weakness.
14	Failure to comply with audit committee requirements	If the insurer failed to establish an audit committee in compliance with state laws.

III.B.2.a. Legal Risk Repository – Quarterly (All Statement Types)

Legal Risk: Non-conformance with laws, rules, regulations, prescribed practices or ethical standards in any jurisdiction in which the entity operates will result in a disruption in business and financial loss.

Note: The repository is not an all-inclusive list of possible procedures. Therefore, risks identified for which no procedure is available should be analyzed by the state insurance department based on the nature and scope of the risk. Also, note that key insurance operations or lines of business, for example, may have related risks addressed in different repositories. Therefore, the analyst may need to review other repositories in conjunction with legal risk. For example, market conduct is also addressed as a reputation risk.

Analysis Documentation: Results of legal risk analysis should be documented in Section III: Risk Assessment of the insurer.

 **Market Conduct**

- 1. Determine if concerns exist regarding Market Conduct, including complaints, market conduct actions, communication with market conduct staff, etc. If concerns exist, communicate risks/issues to the state insurance department’s Market Conduct Unit to investigate further.**

	<i>Other Risks</i>	<i>Benchmark</i>	<i>Result</i>	<i>Outside Benchmark</i>
a. Review any market conduct information available from the NAIC market analysis tools and databases (MAP, MARS, MATS, RIRS, & MCAS). Note any unusual items or negative trends that translate into financial risks or indicate further review is needed.	RP*			
i. Count of Regulatory Actions <ul style="list-style-type: none"> • Current Year-to-Date • Prior Year-to-Date • Second Prior Year-to-Date 			[Data]	
ii. Aggregate of Regulatory Fines <ul style="list-style-type: none"> • Current Year-to-Date • Prior Year-to-Date • Second Prior Year-to-Date 			[Data]	
iii. Market Conduct Examination Called or Concluded <ul style="list-style-type: none"> • Current Year • Prior Year • Second Prior Year 		=YES	[Data]	[Data]
				<i>Other Risks</i>
b. Review any market conduct information, including information available from the state’s market analysis department (such as the Market Analysis Chief or the Collaborative Action Designee). Note any unusual items that translate into financial risks or indicate further review is needed.	RP*			
c. Review any inter-departmental communication, as well as communication with other state, federal or international insurance regulators and the insurer. Note any unusual items or prospective risks that indicate further analysis or follow-up is necessary.	RP*			

III.B.2.a. Legal Risk Repository – Quarterly (All Statement Types)

<p>d. If market conduct information is unusual and indicates potential financial risks, perform the following procedures:</p> <p>i. Describe and document the findings of the most recent market conduct examination and analysis and communication with the insurance department’s market conduct staff.</p> <p>ii. Describe any current or future actions of the insurance department, other state insurance departments or other regulatory bodies against the insurer related to market conduct violations.</p> <p>iii. Describe the actual or projected financial impact of any settlements, fines, or remediation to operations and surplus.</p>	RP*
<p>e. Determine if the insurer has met state statutes and regulations regarding timely payment of claims.</p>	

Litigation, Legal and Government Expenses

2. Determine if concerns exist regarding expenses for litigation, legal or government.

	<i>Other Risks</i>
<p>a. Were any legal concerns identified during the review of the Quarterly Financial Statement including the Notes to Financial Statements, or Examination findings and follow-up monitoring?</p>	
<p>b. Upon review of the Notes to Financial Statements, was the insurer a party to any significant litigation not in the normal course of business? If so, review and understand a description of the litigation and any contingent liabilities for accrued legal expenses.</p>	

Fraud

3. Assess if any material fraudulent activity has been identified, and evaluate the financial impact of such activity.

	<i>Other Risks</i>
<p>a. Were any fraud concerns disclosed during the review of the Quarterly Financial Statement, including the Notes to Financial Statements, Examination findings (i.e., Exhibit G – Consideration of Fraud)?</p>	
<p>b. Contact the state insurance department’s Fraud Unit (if applicable). Has the state insurance department concluded any fraud investigations involving the insurer? If so, identify the following:</p> <ul style="list-style-type: none"> • Nature and scope of the investigation and its findings • Regulatory and/or corrective actions required of the insurer • Insurer’s plan to address the fraudulent activity • Financial impact of the investigation and corrective actions 	
<p>c. Do any news and media reports, information from the insurer or other information available to the analyst indicate the insurer is under investigation by a regulatory body other than the state insurance department? If so, identify the nature and scope of the</p>	

III.B.2.d. Legal Risk Repository – Analyst Reference Guide

Legal Risk Assessment

Legal Risk: Non-conformance with laws, rules, regulations, prescribed practices or ethical standards in any jurisdiction in which the entity operates will result in a disruption in business and financial loss.

The objective of Legal Risk Assessment analysis is to focus on risks emerging from company activities that might not be in accordance with legal and regulatory requirements. Given the wide range of legal and regulatory requirements that insurers are exposed to, including various jurisdictions and agencies, legal risks can emerge from many different areas. As such, the analyst will need to have a good understanding of the insurer and its operations in order to identify the applicable legal and regulatory requirements that could have a significant impact on the insurer's financial position and prospective solvency.

The Current Period Analysis section of the Risk Assessment Worksheet includes a procedure step related to Compliance Analysis, which may assist in identifying various risks addressed in this repository. In addition, some of the detailed procedures included in this repository may be useful in completing the Compliance Analysis procedure. However, if significant compliance issues are identified that represent a risk to the insurer's financial position or prospective solvency, analysis of such risks should be discussed and documented under Legal Risk in the Risk Assessment section of the worksheet (Section III).

The following discussion provides suggested data, benchmarks and procedures the analyst can consider in his/her review. In analyzing legal risk, the analyst may analyze a wide range of risk exposures related to the insurer's compliance with laws and regulations. An analyst's risk-focused assessment of legal risk should take into consideration the following areas (but not be limited to):

- Market conduct activities and violations
- Expenses and potential liabilities associated with ongoing litigation
- Fraudulent activities
- Compliance with code of ethics
- Compliance with state laws and reporting requirements
- Compliance with federal Affordable Care Act (ACA) provisions (health business only)
- Compliance with federal agency requirements
- Compliance with audit requirements, including those pertaining to the audit committee

Discussion of Annual Procedures

Using the Repository

The legal risk repository is a list of possible quantitative and qualitative procedures, including specific data elements, benchmarks and procedures from which the analyst may select to use in his/her review of legal risk. Analysts are not expected to respond to all procedures, data or benchmark results listed in the repository. Rather, analysts and supervisors should use their expertise, knowledge of the insurer and professional judgement to tailor the analysis to address the specific risks of the insurer and document completion of the analysis. The repository is not an all-inclusive list of possible procedures. Therefore, risks identified for which no procedure is available should be analyzed by the state insurance department based on the nature and scope of the risk.

In using procedures in the repository, the analyst should review the results in conjunction with the Supervisory Plan, Insurer Profile Summary and the prior period analysis. Communication and/or coordination with other

III.B.2.d. Legal Risk Repository – Analyst Reference Guide

internal departments are a critical step in the overall risk assessment process and are a crucial consideration in the review of certain procedures in the repository.

The analyst should also consider the insurer's corporate governance which includes the assessment of the risk environment facing the insurer in order to identify current or prospective solvency risks, oversight provided by the board of directors and the effectiveness of management, including the code of conduct established by the board.

The placement of the following data and procedures in the legal risk repository is based on "best fit." Analysts should use their professional judgement in categorizing risks when documenting results of the analysis. Key insurance operations or lines of business, for example, may have related risks addressed in different repositories. Therefore, the analyst may need to review other repositories in conjunction with legal risk.

ANALYSIS DOCUMENTATION: Results of legal risk analysis should be documented in Section III: Risk Assessment of the insurer. Documentation of the Risk Assessment analysis should be sufficiently robust to explain the risks and reflect the strengths and weaknesses of the insurer. Analysts are not expected to respond to procedures, data or benchmark results directly in the repository document.

Quantitative and Qualitative Data and Procedures



Market Conduct

PROCEDURE #1 directs the analyst to identify and assess legal risks emerging from market conduct practices of the insurer that could have an impact on financial position and prospective solvency. In so doing, the analyst is encouraged to review any communication from the state's market analysis unit, including the results of market conduct exams as well as information drawn from the review of market analysis tools available on iSite+, such as the Market Analysis Profile (MAP), Examination Tracking System (ETS), Market Analysis Review System (MARS), Regulatory Information Retrieval System (RIRS), Special Activities Database (SAD), Market Initiative Tracking System (MITS), Market Conduct Annual Statement (MCAS) and the Complaints database. Quantitative results from some of these tools are presented within the repository to simplify the review process, including counts of regulatory actions, aggregates of regulatory fines and references to market conduct examinations that have taken place over the last couple of years. Analysts should review any market conduct issues identified by market analysis staff (such as the Market Analysis Chief or the Collaborative Action Designee) or iSite+ tools and consider the financial implications those issues may have on the insurer. For example, large fines levied by states, suspensions or revocations of licenses, market conduct exam settlements (whether financial or other), or other regulatory actions taken based on market conduct violations may have a material impact on the financial solvency of the insurer.

Litigation, Legal and Government Expenses

PROCEDURE #2 directs the analyst to identify and evaluate risks related to expenses paid for litigation, other legal issues and/or government lobbying. This procedure includes quantitative metrics identifying individual legal expense payments of significance, situations where investigation and settlement of policy claims make up the bulk of legal expenses and unusual payments for government lobbying. While these metrics might identify a need for further investigation in this area, the analyst should take other steps to identify and assess litigation and other legal risks as outlined in the procedure. Comparing legal expenses to prior years and industry averages might identify an upward trend that should be investigated. In addition, a detailed review of the financial statements, and notes to the financial statements in particular, may disclose information on significant legal cases the company is involved in. If significant cases are identified, additional follow-up and correspondence with the company may be necessary to assess their potential impact on prospective solvency.

III.B.2.d. Legal Risk Repository – Analyst Reference Guide

Fraud

PROCEDURE #3 directs the analyst to identify and evaluate the impact of any fraudulent activity on the financial position and prospective solvency of the company. The procedure encourages the analyst to review financial statements, review news reports, correspond with other insurance department units (e.g., Fraud, Market Conduct, etc.), review regulatory actions (through RIRS) and contact other state insurance regulators with authority over the businesses of the insurer to identify any instances of fraud or ongoing investigations. If fraud, allegations of fraud or ongoing investigations are identified, the analyst is encouraged to document his/her understanding and assessment of the ongoing issues and to contact the company regarding its plans to address the situation.

Compliance with Code of Ethics Standards

PROCEDURE #4 directs the analyst to identify and evaluate risks related to the insurer's compliance with code of ethics standards. This procedure references information provided in the General Interrogatories of the Annual Statement related to the code of ethics. The analyst is encouraged to use this information, as well as information provided in the Corporate Governance Annual Disclosure (CGAD) (if available), to identify and assess risks in this area. If concerns regarding an insurer's failure to implement or abide by a code of ethics are identified, the analyst should correspond with the company to address these concerns and/or identify other compensating controls in place.

Compliance with State Laws and Reporting

PROCEDURE #5 directs the analyst to assess the insurer's compliance with NAIC reporting practices, internal policy, laws, regulations and prescribed practices. This procedure references information provided in the General Interrogatories of the Annual Statement related to whether any certificates of authority, licenses or registrations of the insurer have been suspended or revoked. This assists the analyst in determining whether there are any legal or regulatory impediments that could affect the insurer's operations or result in a significant legal liability. In addition, qualitative procedures are suggested to assist the analyst in identifying issues of noncompliance with other regulatory requirements, including the specific procedures described below.

PROCEDURE #5D asks the analyst to identify through Notes to the Financial Statement, the iSite+ Validation Exceptions tool and through any corrections of reporting errors potential issues with the reliability of financial reporting that may require follow-up discussions with the insurer. Potential missing data, data that does not conform with standards, or any crosscheck errors could materially impact the outcome of an analysis and corrective measures may need be taken by the insurer prior to proceeding with an analysis.

PROCEDURE #5F offers follow-up analysis and actions the analyst may consider if the insurer is in violation of any state statutes or regulations. It is critical that the analyst determine the extent of the non-compliance and document the issue, resolution, communication by the insurer, and the outcome. The analyst should complete a detailed written explanation of the violation to ensure proper documentation should non-compliance issues recur.

PROCEDURES #5G AND #5H offer follow-up analysis and actions the analyst may consider if the insurer has had a certificate of authority, license, or registration suspended or revoked by any government entity during the period or if the insurer has been issued a consent order or agreement. If the action was taken by another state or regulatory body, the analyst should contact that regulator for details regarding the action.

PROCEDURE #6 directs the analyst to assess the insurer's compliance with state investment laws. The analyst should consider determining whether the insurer's investment portfolio is in compliance with the investment limitations and diversification requirements per the state's insurance laws. In addition, the analyst may review affiliated investments for compliance with state law and review the results of the most recent examination regarding investment compliance.

III.B.7.a. Reputational Risk Repository – Annual (All Statement Types)

Reputational Risk: Negative publicity, whether true or not, causes a decline in the customer base, costly litigation and/or revenue reductions.

Note: The repository is not an all-inclusive list of possible procedures. Therefore, risks identified for which no procedure is available should be analyzed by the state insurance department based on the nature and scope of the risk. Also, note that key insurance operations or lines of business, for example, may have related risks addressed in different repositories. Therefore, analysts may need to review other repositories in conjunction with reputational risk. For example:

- Market conduct issues are also addressed in the Legal Risk Repository.
- News and publicity are also addressed in the Strategic Risk Repository.

Analysis Documentation: Results of reputational risk analysis should be documented in Section III: Risk Assessment of the insurer.

Reputational Impact of Other Risks

1. Evaluate the impact of risks associated with other branded risk classifications on the insurer’s reputation.

	<i>Other Risks</i>
a. Identify and evaluate the impact of legal risks on the insurer’s reputation, such as: <ul style="list-style-type: none"> • Violations of legal and regulatory requirements • Ongoing regulatory investigations • Significant ongoing litigation • Reports of fraud or fraud investigations • Ethical violations 	LG
b. Identify and evaluate the impact of operational risks on the insurer’s reputation, such as: <ul style="list-style-type: none"> • Information technology (IT) security concerns • Weak or ineffective corporate governance • Problems in operating performance • Third-party administrator (TPA) or managing general agent (MGA) relationships 	OP
c. Identify and evaluate the impact of strategic risks on the insurer’s reputation, such as: <ul style="list-style-type: none"> • Significant turnover at the board and senior management level • Merger and acquisition activity • Changes in business plan or strategic direction • Increasing leverage or concerns over capital adequacy 	ST
d. Identify and evaluate the impact of an impairment of goodwill of any investment in parent, subsidiaries or affiliates (PSA) and the causes for such impairment on the insurer’s reputation.	MK
e. Identify and evaluate the impact of all other significant risks with the potential to affect the insurer’s reputation.	CR, LQ, MK, PR/UW, RV

III.B.7.a. Reputational Risk Repository – Annual (All Statement Types)

Ratings

2. Determine if concerns exist regarding the insurer or insurance group’s ratings.

	<i>Other Risks</i>
a. Review the most recent report from a credit rating provider (e.g., A.M. Best, Moody’s, Standard & Poor’s, Fitch, and Weiss) for the current financial strength and credit ratings and outlook, as well as an explanation of any change in the ratings.	PR/UW, ST
b. If concerns exist regarding a poor financial strength or credit rating, a negative outlook, or a rating change for the insurer or the insurance holding company, review the most recent report from the credit rating provider (CRP) to determine if the rating is at a level that may impact the insurer’s ability to continue to write new business or that may impact other business functions (e.g., terms of debt covenants, ability to attract financing, ability to place reinsurance, etc.).	PR/UW, ST

News, Press Releases and Industry Reports

3. Determine if concerns exist regarding news, press release, stock movements or industry reports involving the insurer or insurance group.

	<i>Other Risks</i>
a. Review insurer or insurance group press releases to identify if any negative publicity or other issues have the potential to adversely impact the insurer’s reputation.	LG, ST
b. Review any insurance, marketplace or economic industry reports, news releases, and emerging issues to identify if any issues have the potential to negatively impact the insurer’s reputation. <ul style="list-style-type: none"> • Examples: NAIC “Insurance Industry Snapshots” and “Insurance Industry Analysis Reports,” NAIC Capital Markets Bureau reports, rating agency reports, insurance news sources, NAIC Risk Alerts, etc. 	LG, ST*
c. If concerns exist regarding a recent industry report, news release, stock movement or emerging issue, determine if the news or industry issue has the potential to impact the insurer’s reputation, operations or financial solvency.	LG, ST*
d. Review movements and trends in the insurer’s or group’s stock price and trading volume to assist in identifying and assessing reputational risk.	ST*
e. Perform additional non-routine procedures where applicable (e.g., survey or questionnaire, stress testing, etc.).	LG, ST*

 **Market Conduct**

4. Determine if concerns exist regarding market conduct issues, including complaints, market conduct actions, issues raised by market conduct staff, etc. If concerns exist, communicate risks/issues to the state insurance department’s Market Conduct Unit to investigate further.

	<i>Other Risks</i>	<i>Benchmark</i>	<i>Result</i>	<i>Outside Benchmark</i>
a. Review any market conduct information available from the NAIC market analysis tools and databases (MAP, MARS, MATS, RIRS, MCAS, and Complaints).	LG*			

III.B.7.a. Reputational Risk Repository – Annual (All Statement Types)

Note any unusual items or negative trends that translate into financial risks or indicate further review is needed.				
i. Count of total confirmed complaints <ul style="list-style-type: none"> • Current year • Prior year • Second prior year 			[Data]	
ii. Confirmed complaint index (nationwide) <ul style="list-style-type: none"> • Current year • Prior year • Second prior year 		>1%	[Data]	[Data]
				<i>Other Risks</i>
b. Review any market conduct information, including information available from the state’s market analysis department (such as the Market Analysis Chief or the Collaborative Action Designee). Note any unusual items that translate into financial risks or indicate further review is needed.				LG*
c. Review any inter-departmental communication, as well as communication with other state, federal or international insurance regulators and the insurer. Note any unusual items or prospective risks that indicate further analysis or follow-up is necessary.				LG*
d. If market conduct information is unusual and indicates the potential for reputational damage, perform the following procedures: <ul style="list-style-type: none"> i. Describe and document the findings of the most recent market conduct examination and analysis and communication with the insurance department’s market conduct staff. ii. Describe any current or future actions of the insurance department, other state insurance departments or other regulatory bodies against the insurer related to market conduct violations. 				LG*

Additional Analysis and Follow-Up Procedures

Examination Findings:

Review the most recent examination report and Summary Review Memorandum (SRM) for any findings regarding reputational risks. If outstanding issues are identified, perform follow-up procedures as necessary to address concerns.

Request and assess the insurer’s policies and strategies:

If concerns exist regarding the level of reputational risk, request and review the insurer’s policies and strategies for:

- Strategies for maintaining or improving ratings
- Dependency on quality ratings
- Sales and marketing strategies
- Claims payment policies (including use and oversight of third parties)
- Assessment of emerging risks in the industry and economic impacts on ongoing business plans. (If an Own Risk and Solvency Assessment (ORSA) filer, this may be included in the ORSA Summary Report)

III.B.7.a. Reputational Risk Repository – Annual (All Statement Types)

- Policies and strategies for mitigating reputational damages or crises sustained by the insurer or insurance group

Inquire of the Insurer:

If concerns exist, consider requesting additional information from the insurer regarding:

Ratings:

- Information from the insurer on the impact of ratings or changes in ratings to the insurer and/or group’s operations
- If the insurer is downgraded or has a low rating, request information on any efforts to restore its rating
- Outcome of recent meetings with rating agencies
- Revised business plan
- If rating downgrades occur at the parent or affiliate, what impact do those changes have on the insurer

News, Press Releases, Industry Reports:

- The financial impact to the insurer and/or group’s operations and surplus
- Disclosures of financial impact to the public and agent distribution force
- The insurer’s efforts to mitigate any impact of the risk. For ORSA filers, this may be identified in the ORSA Summary Report for certain risks.
- Policies and procedures in place to mitigate adverse publicity
- Revised business plan

 **Market Conduct:**

- The insurer’s assessment of the financial impact to operations and surplus of market conduct examination findings, fines, settlements or remediation

Own Risk and Solvency Assessment (ORSA) Summary Report:

If the insurer is required to file ORSA or part of a group that is required to file ORSA:

- Did the ORSA Summary Report analysis conducted by the lead state indicate any reputational risks that require further monitoring or follow-up?
- Did the ORSA Summary Report analysis conducted by the lead state indicate any mitigating strategies for existing or prospective reputational risks?

Holding Company Analysis:

- Did the Holding Company analysis conducted by the lead state indicate any reputational risks impacting the insurer that require further monitoring or follow-up?
- Did the Holding Company analysis conducted by the lead state indicate any mitigating strategies for existing or prospective reputational risks impacting the insurer?

Example Prospective Risk Considerations

<i>Risk Components for IPS</i>		<i>Explanation of Risk Components</i>
1	Reputational impact of [other branded risks]	The risk that other concerns, primarily associated with other branded risk classifications, may damage the insurer’s reputation.

III.B.7.a. Reputational Risk Repository – Annual (All Statement Types)

2	Negative publicity related to [name of event]	Negative publicity for the insurer or its affiliates could affect the insurer’s ability to write new business or retain its current business.
3	Financial strength rating downgrade by [name of rating agency]	A rating decline or a poor rating could negatively affect the insurer’s ability to write new business, or it may affect other business operations. For example, debt covenants often include requirements to maintain ratings above a certain level.
4	Poor financial strength rating by [name of rating agency] [sustained or new]	Same as above.
5	Poor PSA [financial strength or credit] rating	Poor ratings by a PSA may have an indirect impact on the insurer.
6	Market conduct examination [specify findings, corrective actions, etc.]	Material findings or corrective actions, including large fines, settlements or required remediation (e.g., re-reviewing denied claims), may have a current or prospective financial impact on the insurer. (E.g., if corrective actions extend into future years and result in future costs or changes in operating practices)
7	Material market conduct violations/concerns [related to ...]	Identified from communications or other iSite+ data.
8	Financial impact of remediation of market conduct violations	Identifies the financial impact both currently and prospectively in terms of either dollars or operation/process changes.

III.B.7.a. Reputational Risk Repository – Quarterly (All Statement Types)

Reputational Risk: Negative publicity, whether true or not, causes a decline in the customer base, costly litigation and/or revenue reductions.

Note: The repository is not an all-inclusive list of possible procedures. Therefore, risks identified for which no procedure is available should be analyzed by the state insurance department based on the nature and scope of the risk. Also, note that key insurance operations or lines of business, for example, may have related risks addressed in different repositories. Therefore, analysts may need to review other repositories in conjunction with reputational risk. For example:

- Market conduct issues are also addressed in the Legal Risk Repository.
- News and publicity are also addressed in the Strategic Risk Repository.

Analysis Documentation: Results of reputational risk analysis should be documented in Section III: Risk Assessment of the insurer.

Reputational Impact of Other Risks

1. Evaluate the impact of risks associated with other branded risk classifications on the insurer’s reputation.

	<i>Other Risks</i>
a. Identify and evaluate the impact of legal risks on the insurer’s reputation, such as: <ul style="list-style-type: none"> • Violations of legal and regulatory requirements • Ongoing regulatory investigations • Significant ongoing litigation • Reports of fraud or fraud investigations • Ethical violations 	LG
b. Identify and evaluate the impact of operational risks on the insurer’s reputation, such as: <ul style="list-style-type: none"> • Information technology (IT) security concerns • Weak or ineffective corporate governance • Problems in operating performance • Third-party administrator (TPA) or managing general agent (MGA) relationships 	OP
c. Identify and evaluate the impact of strategic risks on the insurer’s reputation, such as: <ul style="list-style-type: none"> • Significant turnover at the board and senior management level • Merger and acquisition activity • Changes in business plan or strategic direction • Increasing leverage or concerns over capital adequacy 	ST
d. Identify and evaluate the impact of an impairment of goodwill of any investment in parent, subsidiaries, or affiliates (PSA) and the causes for such impairment on the insurer’s reputation.	MK
e. Identify and evaluate the impact of all other significant risks with the potential to affect the insurer’s reputation.	CR, LQ, MK, RV, PR/UW

III.B.7.a. Reputational Risk Repository – Quarterly (All Statement Types)

Ratings

2. Determine if concerns exist regarding the insurer’s or group’s ratings.

	<i>Other Risks</i>
a. Review the most recent report from a credit rating provider (e.g., A.M. Best, Moody’s, Standard & Poor’s, Fitch, and Weiss) for the current financial strength and credit ratings and outlook, as well as an explanation of any change in the ratings.	PR/UW, ST
b. If concerns exist regarding a poor financial strength or credit rating, a negative outlook, or a rating change for the insurer or the insurance holding company, review the most recent report from the credit rating provider (CRP) to determine if the rating is at a level that may impact the insurer’s ability to continue to write new business or that may impact other business functions (e.g., terms of debt covenants, ability to attract financing, ability to place reinsurance, etc.).	PR/UW, ST

News, Press Releases, and Industry Reports

3. Determine if concerns exist regarding news, press release or industry reports involving the insurer or insurance group.

	<i>Other Risks</i>
a. Review insurer or insurance group press releases to identify if any negative publicity or other issues have the potential to adversely impact the insurer’s reputation.	LG, ST
b. Review any insurance, marketplace or economic industry reports, news releases and emerging issues to identify if any issues have the potential to negatively impact the insurer’s reputation. <ul style="list-style-type: none"> • Examples: NAIC “Insurance Industry Snapshots” and “Insurance Industry Analysis Reports,” NAIC Capital Markets Bureau reports, rating agency reports, insurance news sources, NAIC risk alerts, etc. 	LG, ST*
c. If concerns exist regarding a recent industry report, news release or emerging issue, determine if the news or industry issue has the potential to impact the insurer’s reputation, operations or financial solvency.	LG, ST*

Market Conduct

4. Determine if concerns exist regarding market conduct issues, including complaints, market conduct actions, issues raised by market conduct staff, etc. If concerns exist, communicate risks/issues to the state insurance department’s Market Conduct Unit to investigate further.

	<i>Other Risks</i>	<i>Benchmark</i>	<i>Result</i>	<i>Outside Benchmark</i>
a. Review any market conduct information available from the NAIC market analysis tools and databases (MAP, MARS, MATS, RIRS, and Complaints). Note any unusual items or negative trends that translate into financial risks or indicate further review is needed.	LG*			
i. Count of total confirmed complaints <ul style="list-style-type: none"> • Current year-to-date 			[Data]	

III.B.7.a. Reputational Risk Repository – Quarterly (All Statement Types)

<ul style="list-style-type: none"> • Prior year-to-date • Second prior year-to-date 				
ii. Confirmed complaint index (Nationwide) <ul style="list-style-type: none"> • Prior Year-End • Second Prior year-end • Third prior year-end 		>1%	[Data]	[Data]
				<i>Other Risks</i>
b. Review any market conduct information, including information available from the state’s market analysis department (such as the Market Analysis Chief or the Collaborative Action Designee). Note any unusual items that translate into financial risks or indicate further review is needed.				LG*
c. Review any inter-departmental communication, as well as communication with other state, federal or international insurance regulators and the insurer. Note any unusual items or prospective risks that indicate further analysis or follow-up is necessary.				LG*
d. If market conduct information is unusual and indicates the potential for reputational damage, perform the following procedures: <ul style="list-style-type: none"> i. Describe and document the findings of the most recent market conduct examination and analysis and communication with the insurance department’s market conduct staff. ii. Describe any current or future actions of the insurance department, other state insurance departments or other regulatory bodies against the insurer related to market conduct violations. 				LG*

III.B.7.b. Reputational Risk Repository – Analyst Reference Guide

Reputational Risk Assessment

Reputational Risk: Negative publicity, whether true or not, causes a decline in the customer base, costly litigation and/or revenue reductions.

The objective of Reputational Risk Assessment analysis is to focus on how changes in the way the insurer is perceived can affect its solvency position. As such, risks in this area are often prospective in nature and may require consideration of third-party information to understand and assess their potential impact. For example, analysts may monitor news reports and movements in a company's stock price to identify risks and trends that may be affecting the insurer's reputation.

The following discussion of procedures provides suggested data, benchmarks and procedures analysts can consider in his/her review. Analysts' risk-focused assessment of reputational risk should take into consideration the following areas (but not be limited to):

- Reputational impact of legal risks
- Reputational impact of operational risks
- Reputational impact of strategic risks
- Potential impairment of goodwill
- Agency ratings and outlooks
- News reports
- Press releases
- Stock trends
- Volume and trends in company complaints
- Market conduct violations and findings

Discussion of Annual Procedures

Using the Repository

The reputational risk repository is a list of possible quantitative and qualitative procedures, including specific data elements, benchmarks and procedures from which analysts may select to use in their review of reputational risk. Analysts are not expected to respond to all procedures, data or benchmark results listed in the repository. Rather, analysts and supervisors should use their expertise, knowledge of the insurer and professional judgement to tailor the analysis to address the specific risks of the insurer and document completion of the analysis. The repository is not an all-inclusive list of possible procedures. Therefore, risks identified for which no procedure is available should be analyzed by the state insurance department based on the nature and scope of the risk.

In using procedures in the repository, analysts should review the results in conjunction with the Supervisory Plan, Insurer Profile Summary and the prior period analysis. Communication and/or coordination with other internal departments are a critical step in the overall risk assessment process and are a crucial consideration in the review of certain procedures in the repository.

Analysts should also consider the insurer's corporate governance which includes the assessment of the risk environment facing the insurer in order to identify current or prospective solvency risks, oversight provided by the board of directors and the effectiveness of management, including the code of conduct established by the board.

III.B.7.b. Reputational Risk Repository – Analyst Reference Guide

The placement of the following data and procedures in the reputational risk repository is based on “best fit.” Analysts should use their professional judgement in categorizing risks when documenting results of the analysis. Key insurance operations or lines of business, for example, may have related risks addressed in different repositories. Therefore, analysts may need to review other repositories in conjunction with reputational risk.

ANALYSIS DOCUMENTATION: Results of reputational risk analysis should be documented in Section III: Risk Assessment of the insurer. Documentation of the risk assessment analysis should be sufficiently robust to explain the risks and reflect the strengths and weaknesses of the insurer. Analysts are not expected to respond to procedures, data or benchmark results directly in the repository document.

Quantitative and Qualitative Data and Procedures

Reputational Impact of Other Risks

PROCEDURE #1 directs analysts to identify and assess risks associated with other branded risk classifications on the insurer’s reputation. While risks that are primarily addressed in any of the eight other branded risk classifications might have the potential to harm the insurer’s reputation, the classifications most likely to directly affect reputational risk are legal risk, operational risk and strategic risk. Therefore, the procedure references a number of common risk factors/components associated with each of these classifications for consideration of their impact on the insurer’s reputation. For example, reports of fraud, problems in operating performance, and significant turnover in senior management all have the potential to result in reputational risk. Therefore, the procedure encourages the reputational impact of these risks to be considered and assessed, if applicable. In addition, the procedure asks analysts to consider the reputational impact of any other significant risks identified throughout the risk assessment process, including the impact of goodwill impairment on the insurer or insurance group’s reputation.

Ratings

PROCEDURE #2 directs analysts to determine if concerns exist regarding the insurer or insurance group’s ratings. Ratings received from a rating agency, as well as changes in the ratings and company/industry outlooks, can have a significant impact on the insurer or insurance group’s reputation. Therefore, analysts are strongly encouraged to monitor agency ratings and outlooks when assessing an insurer’s exposure to reputational risk. The primary agencies that issue ratings to insurers include A.M. Best, Fitch Ratings, Moody’s Investors Service, Standard & Poor’s and Weiss Financial Group. For more information on these agencies and their ratings processes, see I. Introduction C. External Information. In reviewing agency ratings, reports and outlooks, analysts should consider and assess the reputational impact of any negative movements or trends with the potential to impact the insurer, as such trends may limit the insurer’s ability to write new business or otherwise affect ongoing operations.

News, Press Releases and Industry Reports

PROCEDURE #3 directs analysts to determine if concerns exist regarding news, press release, stock movements or industry reports involving the insurer or insurance group. The focus of this procedure is on reviewing sources of information outside of the regulatory filings to identify and assess relevant issues for their potential impact on the insurer’s reputation. To obtain information from these sources, analysts should consider performing internet searches, subscribing to news feeds and taking other steps as necessary to accumulate and collect relevant information. In addition, analysts should consider using information accumulated and provided by the NAIC for this purpose, including industry snapshots and industry analysis reports, Capital Markets Bureau reports and solvency monitoring risk alerts. For insurers that are part of publicly traded groups, movements and trends in stock price may be indicative of potential reputational issues and should, therefore, be reviewed and assessed.

Market Conduct

PROCEDURE #4 directs analysts to determine if reputational concerns exist as a result of market conduct issues, such as complaints, market conduct actions, issues raised by market conduct staff, etc. In identifying and

III.B.7.b. Reputational Risk Repository – Analyst Reference Guide

assessing reputational risks emerging as a result of market conduct considerations, analysts should review information available through NAIC market analysis tools and databases (e.g., Market Analysis Procedures (MAP), the Market Analysis Review System (MARS), the Market Action Tracking System (MATS), the Regulatory Information Retrieval System (RIRS), the Market Conduct Annual Statement (MCAS), Complaints, etc.). These tools are made available to financial analysts through links on iSITE+ and can be a valuable resource in identifying issues with the potential to harm the insurer's reputation. If any concerns are identified through use of the tools, financial analysts are encouraged to contact market conduct regulators in their state to discuss and follow-up on the issues identified. In addition, analysts should routinely reach out to market conduct regulators to inquire regarding any significant issues they are aware of that could affect the insurer's reputation or solvency position.

Additional Analysis and Follow-Up Procedures

EXAMINATION FINDINGS directs analysts to consider a review of the recent examination report, summary review memorandum and communication with the examination staff to identify if any reputational risk issues were discovered during the examination.

REQUEST AND ASSESS POLICIES & STRATEGIES directs analysts to obtain and review information from the insurer regarding its policies and strategies for dealing with reputational risk, including strategies for maintaining or improving ratings and policies and strategies for mitigating reputational damages or crises sustained by the insurer or insurance group.

INQUIRE OF THE INSURER directs analysts to consider requesting additional information from the insurer if reputational risk concerns exist in a specific area. The list provided are examples of types of information or explanations to be obtained that may assist in the analysis of reputational risk for specific topics where concerns have been identified.

OWN RISK AND SOLVENCY ASSESSMENT (ORSA) directs analysts to obtain and review the latest ORSA Summary Report for the insurer or insurance group (if available) to assist in identifying, assessing and addressing reputational risks faced by the insurer.

HOLDING COMPANY ANALYSIS directs analysts to obtain and review the holding company analysis work completed by the lead state to assist in identifying, assessing and addressing reputational risks that could impact the insurer.

Prospective Risk Considerations

The table provides analysts with example risk components for use in the Risk Assessment and Insurer Profile Summary branded risk analysis section and a general description of the risk component. Note that the risks listed are only examples and do not represent a complete list of all risks available for the reputational risk category.

Discussion of Quarterly Procedures

The Quarterly Reputational Risk Repository procedures are designed to identify the following:

1. Whether reputation risks may emerge from other branded risk classifications
2. Concerns regarding the insurer's or group's ratings
3. Concerns with news, press release or industry reports involving the insurer or insurance group
4. Concerns with market conduct issues, including complaints, market conduct actions, issues raised by market conduct staff, etc.

For additional guidance on individual procedure steps, please see the corresponding annual procedures discussed above.