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e. To what extent is the board responsible for the acceptance and continuation of audit engagements?		
4. Describe the following audit committee activities and provide supporting documentation:		
a. To what extent is the committee responsible for approving all audit and non-audit services provided by the company's issuer of audit reports?		
b. To what extent is the committee responsible for establishing procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal controls or auditing matters?		
c. To what extent is the committee responsible for establishing procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters?		
d. Which member(s) of the committee is a financial expert?		
E. Corporate Planning		
1. Advise whether the company has developed a long-term strategic plan. Summarize the company's business strategy, if applicable, and provide the following information:		
a. How often are the strategic and business plans reviewed and updated?		
b. How does management obtain and use information to stay abreast of changes in the competitive, technological and regulatory environments? What resources are used?		
c. What is the scope of the established compliance and ethics program and how does it integrate with the company's overall business strategy?		
F. Use of Specialists		
1. List any key consultants whose services were used during the examination period. State the specialist's relationship, if any, to the company.		
G. Culture		
1. Provide the company's formal mission statement, noting the elements regarding compliance, ethics and values.		

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2. How does the board and management set the “tone at the top” and communicate compliance, ethics, values, mission and vision?		
3. Discuss how employees and other stakeholders understand that the organization is serious about its compliance and ethics responsibility.		
II. ORGANIZATION AND PERSONNEL PRACTICES		
A. Organization		
1. Provide details of the company structure, including:		
a. Corporate structure chart (by legal/business unit).		
b. Personnel organization chart.		
c. Organizational chart detailing the structure of key business activities, including the individuals responsible for each activity, areas of responsibility and lines of reporting and communication.		
d. A list of critical management and operating committees and their members.		
2. Provide formal position descriptions for administrative and financial personnel.		
3. Provide a copy of the formal conflict of interest policy. Provide information on the following elements regarding the conflict of interest policy:		
a. Does the conflict of interest policy require periodic declarations by officers, directors and key employees?		
b. Describe the system used to monitor compliance with the conflict of interest policy.		
c. What position in the organization provides oversight and leadership in the compliance/ethics function, and where does this position fall in the organization chart?		
4. Does the company have a written corporate governance framework? If so, describe how the corporate governance framework is:		
a. Approved and overseen by the board of directors.		
b. Implemented and monitored by executive management.		

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c. Aimed at the identification and fulfillment of sound ethical, strategic and financial objectives.		
d. Supported by business planning and resource allocation.		
e. Built by reliable business planning and proactive resource allocation.		
f. Reinforced by firm adherence to sound principles of segregation of duties.		
g. Independent in the assessment of these programs. Is the assessment of these programs performed by the internal audit and/or by the independent certified public accountants?		
h. Objective in reporting of findings to the board or appropriate committees thereof.		
B. Personnel		
1. Describe the investigation of backgrounds and references during the recruitment and selection process for new employees in the administrative and financial areas.		
2. Describe any significant turnover in management.		
3. For each member of the company's key management, please provide:		
a. The member's length of service with the company, as well as length of service in his/her current position.		
b. The member's specific industry experience.		
c. The member's biographical information.		
4. List any officers that have been associated with a company that has become insolvent or placed in receivership, suffered a revocation of license or ordered to cease and desist from violations of insurance law or regulations.		
a. If applicable, have the officers describe their roles in the insolvency, receivership, etc.		
5. How are personnel policies, including hiring, evaluation and termination, documented and communicated to employees?		
6. Are employees who handle cash, securities, and other valuable assets bonded? List those covered, the amount of coverage and deductible.		

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7. Are any related persons employed within the company? If yes, provide their names, job titles and relationship.		
8. To what extent is rotation of duties enforced by mandatory vacations? Explain.		
9. To what extent is job performance periodically evaluated and reviewed with each employee?		
10. To what extent are there formal training programs for administrative and financial personnel? Provide documentation describing the training provided.		
11. Describe the organization structure of your compliance and ethics management team.		
12. How often, and by what methods, does management communicate the mission and vision of the compliance and ethics program to employees and other stakeholders?		
III. INTERNAL AUDIT ACTIVITIES AND INTERNAL CONTROLS		
A. Use of Internal Audit Departments		
1. To what extent are internal audit departments used?		
2. Is the scope of internal audit activities planned in advance with senior management, the board of directors or the audit committee? If so, which? If activities are planned with senior management, describe how the internal audit department remains independent.		
3. To what extent do internal auditors prepare and follow written audit programs? How do these programs:		
a. Provide objective, independent reviews and evaluations of insurer activities, internal controls and management information systems?		
b. Help maintain or improve the effectiveness of insurer risk management processes, controls and corporate governance?		
c. Provide reasonable assurance about the accuracy and timeliness with which transactions are recorded and the accuracy and completeness of financial regulatory reports?		
4. Provide documentation describing the normal duties of the internal auditors, including the extent of financial audits and operational audits. Include the following information:		

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a. Size and organization of the staff (including ratio of supervisors to staff).		
b. Prior experience of staff members.		
c. Number of CPAs and CIAs.		
d. Scope restrictions. If any, consider internal audit's independence from management.		
5. Do internal auditors have direct access to:		
a. Senior management?		
b. Board of directors?		
c. Audit committee?		
d. Appropriate executives?		
6. How are responses to internal audit recommendations communicated and documented?		
7. How is the implementation of internal audit recommendations monitored?		
8. Are there training programs for internal auditors? Describe the training programs available for internal auditors, as well as any established continuing educational requirements.		
9. Are any internal auditors or members of their families related to other employees? If so, explain.		
IV. MONITORING PROCEDURES		
A. Budgets		
1. Does management develop an annual budget and financial plan based on corporate goals and objectives? If so, please provide.		
2. How are budget expectations communicated to those affected?		
3. Are estimates included in financial data and statements reviewed by knowledgeable persons independent of the estimation process? If yes, who performs this review?		
a. Are the entries supported by explanation and/or documentation?		

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4. How is financial performance and the status of the company's financial condition periodically reviewed and/or compared to the budget and prior year?		
a. Are variances between budget and actual results explained by management?		
b. Are variances between prior and current year explained by management?		
c. How often are these analyses performed?		
5. To what extent do budgeting procedures cover all subsidiaries and departments?		
6. Do budgets and forecasts cover:		
a. Premium income by line of insurance?		
b. Policy benefits by line of insurance?		
c. General expenses?		
d. Investments (allocation of investable funds, and income and expenses)?		
e. Statutory surplus?		
f. Federal income taxes?		
g. Cash flow?		
B. Financial Planning and Reporting		
1. Provide documentation summarizing the qualifications of key employees responsible for the preparation and issuance of financial statements. Include names, titles, job responsibilities, background and number of years in present position.		
2. How and with what frequency are financial statements submitted to:		
a. Operating management?		
b. Board of directors?		
c. Audit committee?		

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3. Describe the review and approval process, including who reviews and approves financial information for public distribution (e.g., press releases, filings with regulatory bodies and policyholders' or shareholders' reports).		
4. To what extent does management assess the effectiveness of the company's internal control over financial reporting?		
a. Did management assess the internal controls over financial reporting as effective? Please provide management's assessment.		
b. Did the company's external auditor issue an unqualified opinion as to management's assessment? Please provide the auditor's opinion.		
C. Operations		
1. Describe how operating policies are periodically reviewed. Does this documentation include up-to-date accounting policies and procedures? Provide a chart describing the nature of each account.		
D. Operating Analyses		
1. In multi-line insurance organizations, describe how reports on operating results and key financial data provided by major lines of business and/or subsidiary to the home office are completed and how often.		
a. Describe the principal operating analyses used (e.g., line of business analyses, loss ratios, in-force and reserve amounts, investment yields). Describe contents and indicate frequency of preparation. Sample analyses may be attached instead of a schedule.		
E. Investments		
1. Provide a copy of the company's investment policy and answer the following questions:		
a. How often is the policy reviewed and updated?		
b. How is investment performance periodically reviewed by management?		
c. How are investment activities approved by the board of directors?		
2. Describe the policy regarding treatment of securities. Include whether securities are kept::		
a. On hand.		

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b. With a non-discretionary custodian.		
c. With a discretionary custodian. If kept with a discretionary custodian, advise if there is an approved list of investments.		
3. Describe the company's exposure to the following derivative risks:		
a. Those included on Schedule DB of the Annual Statement.		
b. Those not included on Schedule DB of the Annual Statement.		
F. Third-Party Administrators		
1. How are the services of third-party administrators used? Please provide a list of all TPAs used and answer the following:		
a. Are detail records reconciled? If yes, how and with what frequency?		
b. Are internal audits performed? If yes, how and with what frequency?		
G. Reconciliations		
1. For the following assets, indicate how often they are reconciled to the accounting records and the person performing the reconciliation:		
a. Bonds.		
b. Stocks.		
c. Mortgage loans on real estate.		
d. Collateral loans.		
e. Real estate.		
f. Policy loans.		
g. Certificates of deposit.		
h. Cash.		
i. Office equipment.		
j. Other significant assets not already discussed above.		

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6. How does the company ensure that statements are prepared in accordance with state statutes and regulations?		
7. To what extent are general journal entries (other than standard entries) required to be authorized by a responsible official not involved with the origination of entries?		
8. How is access to accounting and financial records restricted to authorized personnel?		
9. To what extent are internal control procedures written and current to safeguard the company's assets?		
H. Reinsurance		
1. Do reinsurance agreements require formal review and approval, prior to execution, by officers? Explain which officers complete this review and approval. Also note whether the board of directors also review and approve reinsurance agreements.		
2. How is regulatory approval (where applicable) of reinsurance agreements documented?		
3. Does the documentation include projections of the expected economic results and the accounting for the transactions?		
4. Explain whether all amendments and changes to reinsurance agreements are supported by written documentation.		
5. Discuss any major changes in terms (e.g., commission, percent participation, limits or retentions) or conditions of contracts with significant management companies, agents or on reinsurance layers. Document in detail significant specific arrangements with agents, MGAs or others.		
I. Assumed Reinsurance		
1. Are ceding companies required to submit appropriate periodic reports on the reinsured business? Indicate the extent and frequency of these reports.		
2. Are such periodic reports compared to projections made at the date of the agreement?		
a. If yes, how are material deviations investigated?		
3. To what extent does the company review or inspect ceding company records and changes therein (premiums, terminations, benefits or claims)?		
a. Are these reviews performed as of the assumption date?		

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b. Are these reviews performed periodically after the assumption date? How often?

J. Ceded Reinsurance

1. Describe how the financial stability of assuming companies is reviewed to ascertain whether such companies are solvent and have the ability to meet liabilities assumed under the reinsurance agreement.
2. Describe how the results of reinsurance agreements are monitored to permit timely recapture of ceded premium or cancellation of assumed reinsurance.
3. Who reviews and approves the decision to recapture or cancel the treaties?
4. To what extent and how often does company management report on the reinsurance plan and communicate an evaluation of the plan's effectiveness to the board of directors?

V. LEGAL AND REGULATORY REQUIREMENTS

1. Where are current copies of insurance company and/or insurance holding company laws, Internal Revenue Service tax laws and other regulations maintained?
2. Describe the procedures to ensure that management is informed of changes in laws.
3. Are the following specific areas of company activities regularly reviewed for compliance with regulatory requirements? If yes, how often? Describe the documentation procedures and indicate who is responsible for:
 - a. Capital requirements and dividend restrictions.
 - b. Transactions with employees, directors and officers.
 - c. Permitted ratios of categories of qualified investments to statutory capital and/or surplus.
 - d. Prohibitions or restrictions as to particular kinds of investments.
 - e. Prescribed loan-to-value ratios for mortgage loans and similar credit-type investments.
 - f. Policy form approval.

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g. Treatment of policyholders in benefit settlement matters.		
h. Disposal of real estate acquired by foreclosure.		
i. Permitted non-insurance activities.		
j. Foreign operations.		
k. Reporting.		
l. Others not already discussed above.		
4. Describe any government restrictions or regulatory requirements that pertain specifically to the company, including any permitted practices.		
5. Provide copies of any limited scope examinations and audits by regulatory or other government agencies. Discuss any IRS revenue agents' reports, deficiency assessments and developments in IRS examinations in progress.		
6. Has the company complied with all debt covenants and other agreements?		
7. Describe whether there are any material contingent liabilities or commitments.		
VI. CODE OF CONDUCT		
1. Does the company have an established code of conduct? If so, provide a copy and advise what the code of conduct addresses and who receives it.		
2. Does the company distribute the code of conduct and confirm that employees receive and understand the code and other policies? If so, please describe this process.		
3. Does the company have a process for updating policies and procedures? If so, please describe this process.		
4. Can any requirements established by the code of conduct and other policies be waived or overridden? If so, please describe this process.		
5. Under the code of conduct, can employees, agents and other stakeholders raise issues regarding compliance and ethics-related matters? If so, please describe this process.		
6. Does the code of conduct have an established procedure to address compliance and ethics issues that arise? If so, please describe this process and how the company scrutinizes the source of compliance failures.		

7. Does the code of conduct provide guidance to take action against violators of the code? If so, please describe how consistently this has been applied or whether other provisions are in place to address this issue.
8. Is there a process for determining which issues are escalated to the board and for informing the board when issues are resolved? If so, please describe this process.
9. Are there ongoing processes in place to monitor the effectiveness of the compliance and ethics program? If so, please describe.
10. Does the organization engage an external law firm or consultant to audit compliance and ethics program elements? If so, please list the firm or consultant.
11. Is the company a member of the Insurance Marketplace Standards Association and/or other best practices organizations? If so, please list.

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