

d. Which member(s) of the committee is a financial expert?

B. 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?

d. How is the strategic plan affected by the company’s risk management practices?

i. How are risks accumulated and addressed?

ii. Does the company have an impact of climate change risk strategy? Have any risks been identified related to the impact of climate change risk and, if so, what are they and how are these risks incorporated into the company’s overall business strategy?

C. Use of Specialists

1. List any key consultants (e.g., actuarial specialist, investment manager, etc.) whose services were used during the examination period. State the specialist’s relationship, if any, to the company, and the applicable reporting structure (i.e., to whom the specialists’ reports are provided, to whom the specialist(s) have access, etc.).

D. Culture

1. Provide the company’s formal mission statement, noting the elements regarding compliance, ethics and values.

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.

COMPLETED BY	SUPPORTING DOCUMENTATION

II. ORGANIZATION AND PERSONNEL PRACTICES

A. Organization

1. Provide details of the company structure, including:

- a. To the extent the corporate structure chart (by legal/business unit) has changed since the last annual statement filing, please provide the latest structure chart available.
- 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 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?

3. Does the company have a written corporate governance framework? If so, describe how the corporate governance framework meets factors a–h below. (Note that similar to Section I.B above, if the examiner has access to the CGAD, this question may be removed from the questionnaire prior to providing to the company for completion.)

- a. Approved and overseen by the board of directors.
- b. Implemented and monitored by executive management.
- c. Aimed at the identification and fulfillment of sound ethical, strategic and financial objectives.
- d. Supported by business planning and resource allocation.

COMPLETED BY	SUPPORTING DOCUMENTATION

	COMPLETED BY	SUPPORTING DOCUMENTATION
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. How are personnel policies—including hiring, evaluation and termination—documented and communicated to employees?		
5. Are employees who handle cash, securities, and other valuable assets bonded? List those covered, the amount of coverage and deductible.		
6. Are any related persons employed within the company? If yes, provide their names, job titles and relationship.		
7. To what extent is rotation of duties enforced by mandatory vacations? Explain.		
8. To what extent is job performance periodically evaluated and reviewed with each employee?		
9. To what extent are there formal training programs for administrative and financial personnel? Provide documentation describing the training provided.		
10. Describe the organization structure of your compliance and		

ethics management team.

11. 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:

a. Size and organization of the staff (including ratio of supervisors to staff).

b. Prior experience of staff members.

c. Number of CPAs and CFAs.

d. Scope restrictions. If any, consider internal auditors' independence from management.

5. Do internal auditors have direct access to:

a. Senior management?

COMPLETED BY	SUPPORTING DOCUMENTATION

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?

C. 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.

2. 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.

D. 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.

b. With a nondiscretionary custodian.

c. With a discretionary custodian. If kept with a discretionary custodian, advise if there is an approved list of investments.

COMPLETED BY	SUPPORTING DOCUMENTATION

	COMPLETED BY	SUPPORTING DOCUMENTATION
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.		
E. Third-Party Administrators (TPAs)		
1. How are the services of TPAs 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?		
F. Accounting Practices		
1. To what extent are internal controls formally documented?		
2. Are current-year statements prepared on the same basis (i.e., key accounting principles, actuarial and pricing assumptions) as used in prior years? Explain any differences.		
3. How does the company ensure that statements are prepared in accordance with state statutes and regulations?		
G. Reinsurance		
1. Do reinsurance agreements and material amendments 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 reviews and approves reinsurance agreements.		
2. 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.		
H. Assumed Reinsurance		
1. Are ceding companies required to submit appropriate periodic reports on the reinsured business? Indicate the extent and frequency of these reports.		

	COMPLETED BY	SUPPORTING DOCUMENTATION
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?		
b. Are these reviews performed periodically after the assumption date? How often?		
I. 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?		
J. Liquidity		
The purpose of this section is to gather information on an insurer's stress liquidity exposures and financial flexibility for coping with both expected and unexpected cash demands.		
1. Does the company have a formal written liquidity plan?		
a. If yes, provide an overview, particularly as it relates to coping with stress conditions.		
b. If not, explain why a written liquidity plan is not necessary, and describe the company's liquidity policy, particularly as it relates to coping with stress conditions.		
c. What liquidity stress testing is performed? How often is such testing performed, and what are the most recent results?		
d. Describe how the company would respond to an		

NEW YORK DEPARTMENT OF FINANCIAL SERVICES
 Exhibit B – Examination Planning Questionnaire (EPQ)

	COMPLETED BY	SUPPORTING DOCUMENTATION
immediate and material cash demand, such as one that could be triggered by a rating agency downgrade.		
e. Describe means of raising cash other than disinvestment, such as lines of credit and issuing commercial paper. What restrictions, covenants, etc., limit the company’s ability to use these means? State the reasons why any such lines of credit are expected to be reliable, e.g., by describing the terms and conditions under which they may be canceled by the lender.		
f. Describe any changes the company has implemented during the course of the most recent year to address stress liquidity (e.g., due to economic changes, changes in product mix or design, etc.).		
2. With respect to reinsurance agreements, ceded or assumed:		
a. Describe and quantify all reinsurance arrangements that have potential material impact on the company’s liquidity exposure. A definition of materiality should be included in your response.		
b. Describe and quantify all reinsurance arrangements that include rating downgrade “put” provisions.		
3. Does the company hold assets or engage in investment activities that could result in liquidity risks that are not readily apparent through a review of financial reporting schedules? If so, please describe in detail, including the extent that such assets are relied upon to support demand liabilities.		
4. For the following questions, “large cash demand” is defined as equal to or greater than 10% of company surplus, and “institutional cash demand” is defined as cash value products of at least \$10 million, under common control or ownership, for which the decision to access the cash is in a single person/entity.		
a. Can the total of the company’s potential large and institutional cash demands, if any, have a material impact on the company’s cash position? (Treasuries are considered cash for this purpose.) A definition of materiality should be included in your response.		
b. What impact can the potential capital losses from these demands have on the company’s capital and surplus?		
5. Are any of the company’s assets pledged or encumbered for purposes other than to directly support its insurance liabilities (e.g., FHLB loans, etc.)?		
6. If yes, then please explain and also provide the amount of such		

6. 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.

COMPLETED BY	SUPPORTING DOCUMENTATION

This page intentionally left blank.