

To: Company Contact
From: Examination Manager
Date:
Re: Agenda for Kick-off Meeting

- Examination Team:

Discussion of examination team hierarchy.
Overall engagement supervised by the Examiner-in-Charge.

- General Examination Considerations:

Workpapers are confidential. Property of the Pennsylvania Insurance Department
All findings will be discussed with the Company during the examination.
Company will have opportunity to respond to all findings.

Examination Report, management letter and supervisory plan:

Findings may be included in Management Letter rather than "Public" Examination Report.
Supervisory Plan is an on-going understanding of the company between examinations.
IT Control Assessment and Actuarial Support have been integrated into the examination process.
Identify the examination approach, objectives, priorities and preliminary schedule.

Establish a scheduled periodic status teleconference

Discussion of procedures through which all parties (i.e., the Company, vendor, IT department) will communicate the progress of the engagement, and any changes that may arise during the course of the examination.

Multi-state coordination and sharing of workpapers with other regulators (NAIC Global Sharing Agreement)

Company can assist in expediting the examination process by providing and discussing the relevant work performed by others that can be utilized to address the examination objectives:

External CPAs (both prior year understanding of controls and coordinate on current year, if possible)

Internal Audit Department

SOX Project Team

SAS-70 Type II Reports

Enterprise Risk Management Team

A.M. Best presentation

Other regulators

Staff augmentation with external vendors may be considered if sufficient internal staff is not available:

Available manpower and timing;

Staff skill set.

- Risk-Focused Examination Approach.
 - More than just a financial statement audit!
 - NAIC risk types:
 - Prospective risk - strategic risks; planning, communication of plans, monitoring of actual results to plan (concentrations, productivity, profitability, etc.)
 - Other than Financial Reporting risk – operational risks; transaction processing; security of assets, including data (accuracy, completeness, validity)
 - Financial Reporting risk –reporting risks; data mapping and extraction; adjusting entries; application of SSAPs, etc.
 - Examination will be separated into three phases:
 - Phase 1: Understanding the Company and its Key Functional Activities and Risks, and Identification of Key Strategic, Operational and Reporting Controls;
 - Phase 2: Assessment of Key Controls and Determination of Residual Risk, and Development of the Substantive Financial Examination Approach;
 - Phase 3: Execution of Substantive Financial Examination Approach.
 - These phases align with the NAIC Financial Condition Examiners' Handbook Phases:
 - NAIC Branded risk categories: Credit, Legal, Liquidity, Market, Operational, Pricing/Underwriting, Reputational, Reserving, and Strategic.
 - Conduct interviews:
 - C-level – includes CEO, CFO, CIO, CSO, IA Director, Chair of Audit Committee, typically formal in nature, to determine the Company's procedures for developing, communicating and monitoring strategic objectives and plans, and identifying and evaluating strategic risks.
 - Functional – includes key process owners, typically formal for defining and understanding key processes; and process implementers, typically informal walkthrough with observation and inquiry (operational risks).
- Examination will primarily concentrate on the following activities and their related subactivities:
 - Corporate Governance;
 - Transaction Processing (Premium, Claims, Investments, Reinsurance);
 - Policy Management (including Pricing, Underwriting, and Billing and Collection);
 - Claim Management;
 - Investment and Cash Management;
 - Reinsurance;
 - Financial Reporting; and,
 - Information Technology (General Controls and Specific Embedded Application Controls).

These activities may be further refined by business segment, region, processing center or any other way in which the Company organizes its operations.

Company can provide documentation regarding its identification, scoping, materiality considerations and narratives of all activities identified as critical or key.

Examination team will consider, for financial reporting risks, the Company's documentation of controls; however, additional work may need to be performed, particularly in the areas of strategic and operational risks.
- Organizational mapping and process documentation of critical business processes:
 - In general, any system platform that processes payments/receipts in excess of the examination materiality established for the financial examination will be considered.
 - Discussion of processes/systems that are shared by affiliated entities within your holding company system and processes/systems that are used solely by your Company.
 - Discussion of processes/systems used by your Company that are either hosted by or shared with external organizations.

Use of any relevant process documentation and testing made available by the Company, including Sarbanes-Oxley process and control documentation (narratives, flowcharts, matrices, etc.), external audit workpapers, internal audit workpapers, etc.

- Assessment of the Company's General Information Technology Control Environment, embedded application controls, and controls over critical reports:

Mapping critical accounts to processes/applications that generate them

The NAIC Exhibit C-1 – Evaluation of Controls in Information Systems Questionnaire will be used as the basis for our General Information Technology Control Assessment. This questionnaire is based on the COBIT Control Framework. The examination team will utilize relevant work performed by the Company relating to its IT general control environment that meets the objectives of the NAIC Exhibit C-1.

Use of any current and relevant Information Technology review information, made available by the Company, including external audit reports, internal audit reviews, SAS70 reports, security assessments/penetration studies, etc.

Discussion of any e-Commerce platforms being used by the Company, including EDI, as well as Web applications used in the transport of data between systems.

- Open discussion of any other relevant questions regarding the engagement.