Strategic Solutions for Navigating the Risk-Focused Examination Process

Sonnenschein, Nath & Rosenthal LLP and JVP Partners, Inc., have jointly created a specialized team of consultants and professionals to assist insurance companies in preparing for the newly required Risk-Focused Financial Examinations. The Sonnenschein/JVP Partners team regularly advises insurance company counsel, senior management, audit committees, auditors and boards of directors on financial, operational and strategic matters concerning the examination process.

The Sonnenschein/JVP Partners team is composed of former insurance company executives and former senior level regulators and counsel experienced in financial examinations. Our regulatory professionals advise insurers on creating internal controls over financial reporting to comply with the requirements of the Sarbanes-Oxley Act of 2002 and the 2010 Model Audit Rule. In addition, we consulted with the National Association of Insurance Commissioners (NAIC) on creating the Risk-Focused Financial Examination process, and provided assistance to several state insurance departments when they first performed a financial examination using the “Risk-Focused” approach.

Our extensive experience and broad knowledge working for insurers and regulators provide a unique insight on the examination process. The Sonnenschein/JVP Partners team has the capability to counsel insurers preparing for Risk-Focused Financial Examinations on issues such as the witness preparation process for the newly required one-on-one executive interviews with regulators, as well as providing counsel on issues through examination completion and Examination Report issuance. Also, we can assist insurers by ensuring that they do not expend unnecessary time and effort compiling documentation that insurance departments do not need or require.

When clients work with the team to better understand all phases of the Risk-Focused Financial Examination, they will maximize the efficiency and effectiveness of their preparation and minimize their financial commitment, possibly saving money.

Key Points to the Risk-Focused Financial Examination

BACKGROUND

- All financial examinations commencing in 2010 will be conducted using the “Risk-Focused” approach instead of the “Specific Risk Analysis” approach.
- Previous examinations performed by states under the “Risk-Focused” approach may have been conducted prior to the adoption date of the risk-focused examination guidelines in the NAIC Financial Examiners Handbook.
- 2010 is the first year that all states are required, as a part of the NAIC Financial Accreditation Process, to use the “Risk-Focused” approach in their financial regulatory process.
- With lessons learned from early “Risk-Focused” financial examinations, our team has developed a set of tools and protocols that can benefit clients before and during Risk-Focused Financial Examinations.

The Sonnenschein/JVP Partners team can assist in preparing executive management for witness testimony, a new examination requirement. Being prepared for interviews is essential to a successful examination.

General preparation for the examination is also a key to success. The Sonnenschein/JVP Partners team can assist you in understanding the following items to increase the efficiency of the examination process:

- How to plan and prepare for a “Risk-Focused” examination
- How to demonstrate effective corporate governance and internal controls
- How to assist companies in working with examiners to leverage audit work already performed such as CPA audits, internal audits and requirements of Sarbanes-Oxley and the Model Audit Rule
- How to show effective Enterprise Risk Management
- What additional work can be performed prior to the examination start date
- What the “Matrix” is and how it will affect the examination
- Why the examiners will use current company financial information if the exam is only for previous years
- What to do if something goes wrong

The ethical rules of some states require us to identify this material as attorney advertising. Prior results do not guarantee a similar outcome.
For more information regarding our capabilities and services, please call or e-mail any of the contacts below.

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