

# Examination Planning Questionnaire

## Table of Contents

	<b>Page</b>
<a href="#">Section I</a> Ownership and Management Influences .....	2
<a href="#">Section II—A</a> Organization and Personnel Practices – Organization.....	4
<a href="#">Section II—B</a> Organization and Personnel Practices – Personnel.....	5
<a href="#">Section III</a> Internal Audit Activities and Internal Controls .....	6
<a href="#">Section IV—A</a> Monitoring Procedures – Budgets .....	6
<a href="#">Section IV—B</a> Monitoring Procedures – Financial Planning and Reporting .....	7
<a href="#">Section IV—C</a> Monitoring Procedures – Operations .....	7
<a href="#">Section IV—H</a> Monitoring Procedures – Reinsurance .....	8
<a href="#">Section IV—K</a> Liquidity.....	9
<a href="#">Section V</a> Legal and Regulatory Requirements .....	11
<a href="#">Section VI</a> Code of Conduct.....	12

## Examination Planning Questionnaire

Please provide current and complete responses, using additional sheets if necessary. If the operations and control environments of affiliates subject to this letter are substantially similar, only one set of responses is necessary for those affiliates. If a requested item has already been provided to the department, please indicate the document filing, date it was provided, individual it was provided to (if not provided through OCI's financial filing portal), and specific references to where the information is located.

### I. Ownership and Management Influences

#### A. Concentration of Ownership

Provide documentation explaining the concentration of ownership including approximate number of shareholders, any significant shareholders, or changes in ownership, whether shares are actively traded, and extent of management's ownership interest.

#### B. The Board of Directors and its Committees

1. Provide documentation describing the make-up of the board of directors, including number of directors, affiliations of outside directors, relationship of each director to the organization, and number of years as a director. Include board members who served at any time during the period under examination. For the current board members, provide their present occupation, the city and state of their home residence, and the year of the expiry of their current term.
2. Provide information on the audit committee, if applicable. Information provided should include:
  - a. The number of members that serve on the committee.
  - b. The names of the members of the audit committee that could qualify as a financial expert in that they hold an accounting certification (CPA, CFE, etc.) and have previously been employed in a financial oversight role.
  - c. The number of members that are not part of company management and do not have business relationships with the company.
  - d. How often the committee meets.
  - e. Whether each member of the audit committee is a member of the board of directors and considered independent. Independent members are individuals who are not part of company management and who do not have business relationships with the company.
  - f. Whether the audit committee has an established charter. If so, provide a copy.
  - g. Whether minutes of meetings are prepared and retained.
3. Provide the excerpt from the articles of incorporation and bylaws that provides a description of the duties assigned and performed by the board of directors, its audit committee, and any other committees of the board. Include a current list of committees and the members as of the examination date.
4. Provide an inventory of policies promulgated by the board and its committees for oversight of the insurer and describe how compliance with these policies is reported on by management.
5. Describe the following board activities and provide supporting documentation:
  - a. How does the board monitor professional ethics and independence from issuers of audit reports?

## Examination Planning Questionnaire (continued)

- b. How does the board consult with external auditing firms on accounting and auditing questions?
  - c. How does the board supervise audit work (internal and external)?
  - d. How is the board involved with oversight of the hiring, professional development and advancement of personnel?
  - e. To what extent is the board responsible for the acceptance and continuation of audit engagements?
6. Describe the following audit committee activities and provide supporting documentation:
- a. To what extent is the committee responsible for approving all auditing services 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?

### C. 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 is the strategic plan and business plan reviewed and updated?
  - b. How does management obtain and use information to stay abreast of changes in the competitive, technological and regulatory environments? If so, what resources are used?
  - c. What is the scope of the established compliance and ethics program and how does it integrate with your overall business strategy?
  - d. How is the strategic plan impacted 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?

### D. Use of Specialists

List any key consultants (e.g., actuarial specialists, 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.).

## Examination Planning Questionnaire (continued)

### E. 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?

## 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 that include the individuals responsible for each activity, areas of responsibility and lines of reporting and communication
  - d. 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 is:
  - a. Approved and overseen by involved 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.
  - e. Built by reliable business planning and proactive resource allocation.
  - f. Reinforced by firm adherence to sound principles of segregation of duties.

## Examination Planning Questionnaire (continued)

- 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.
- i. Considering climate risks. For example, are there governance structures in place in your organization through which board members and senior management may have oversight over material climate-related risks?

### B. Personnel

1. Describe the investigation of backgrounds of 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 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.
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?

## Examination Planning Questionnaire (continued)

### III. Internal Audit Activities and Internal Controls

#### A. Use of Internal Audit Departments

1. To what extent are internal 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 (MIS)?
  - 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 CIAs; and
  - 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 documented?
7. How is 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 education requirements.
9. Are any internal auditors or members of their families related to other employees? If so, explain.

### IV. Monitoring Procedures

#### A. Budgets

## Examination Planning Questionnaire (continued)

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 so, who performs the review?
  - a. Are the entries supported by explanation and/or documentation?
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 analyses performed?
5. To what extent do budgeting procedures cover all subsidiaries and departments?

### B. Financial Planning and Reporting

1. Provide documentation summarizing the qualifications of key employees responsible for 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. Operations

1. Describe how operating policies are periodically reviewed? Does documentation include up-to-date accounting policies and procedures? Provide a chart of accounts describing nature of each account.

Provide an electronic copy of the Pre-Closing, Post-Adjustment trial balance in Microsoft Excel®. Information should include: Account Number, Account Description, and Balance (include columns for debits and credits or use positive and negative balances to indicate debits and credits), and an Allocation Indicator (indicating in which annual statement page and line each account is included).

### 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.
2. Describe the principal operating analyses used (e.g., line of business analyses, loss ratios, in-force and reserve amounts, and investment yields). Describe contents and indicate frequency of preparation. Sample analyses may be attached instead of a schedule.

## Examination Planning Questionnaire (continued)

### 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?
  - d. Does the company consider the impact of material climate change risks when determining its investment strategy and/or monitoring the risks in its investment portfolio? Explain why or why not.
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 discretionary, is there 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 (TPAs)

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? How and with what frequency?
  - b. Are internal audits performed? How and with what frequency?

### G. Accounting Practices

1. To what extent are internal controls formally documented?
2. Explain any differences in accounting and closing practices followed at interim dates compared to year-end?
3. Are current year statements prepared on the same basis (i.e., key accounting principles, actuarial and pricing assumptions) as used in the prior years? Explain any differences.
4. How do you ensure that statements are prepared in accordance with state statutes and regulations?

### H. Reinsurance

Provide a summary of all reinsurance contracts in effect as of the examination date and executed during the current year. The summary should include, at a minimum, the effective date of the agreement, the parties involved, the type of reinsurance (quota share vs. excess of loss, facultative vs. automatic), business purpose, and whether reinsurance is still being ceded or is in run-off.



## Examination Planning Questionnaire (continued)

1. Describe the overall reinsurance strategy including the following:
  - a. How reinsurance is evaluated in terms of internal and external factors;
  - b. The company's reliance on reinsurance to meet business goals;
  - c. The process for reinsurance decision making, including factors considered and/or rationale for changes made.
2. 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 reviews and approves.
3. 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 your 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 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 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?

### K. 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. Reasonable groupings of like instruments should be used where specific asset and liability information is sought. However, there should be sufficient delineation to identify material differences. There should be no material omissions in responding to these questions. The analysis should be done for the general account and for guaranteed separate accounts (if applicable) unless otherwise specified. The requests for quantitative information refer to direct minus ceded plus assumed business in the aggregate. This section is intended for all insurers, with some questions specific to Life Companies only (#9 – #11). **With regard to document**

## Examination Planning Questionnaire (continued)

**24-031 attachment, if the company already utilizes a report(s) that tracks cash demands and identifies sources of cash, the company has the option to provide these documents instead of completing the tables.**

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 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 utilize 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 aren't 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 percent 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.)?

## Examination Planning Questionnaire (continued)

6. If yes, please explain and also provide the amount of such assets.
  - a. To what extent would such assets impair the company's financial flexibility in a stress liquidity scenario?
  - b. Describe all potential cash demands at the holding company level that can have a negative impact on the company's liquidity position.
7. Describe all general account guarantees associated with market value separate accounts of the company. (For this purpose, "guarantees" means guarantees of principal, interest, performance indices, minimum benefits, or other arrangements where the company is liable for an amount greater than the market value of related separate account assets. Guarantees because of death or morbidity may be excluded.) What is the total liquidity exposure for each material guarantee as of 12/31/20XX? The value of any such guarantee is that amount, as of 12/31/20XX, deliverable to contract holders in excess of the market value of the separate accounts. A definition of materiality should be included in your response. (Life Insurers Only)
8. Does the company have GICs, funding agreements or similar instruments? (Life Insurers Only)
  - a. If yes, list the 10 largest (in terms of withdrawals) holders of GICs, funding arrangements or similar instruments and their total withdrawal value (only those with contract holder cash-out options at either book value or market value). Liabilities associated with a given holder should be aggregated. For each of the holders listed, include the holder name, amount held, scheduled maturity, whether the contract holder can move funds at book value, and the terms/conditions under which funds can be moved.
9. Does the company have COLI or BOLI business? (Life Insurers Only)
  - a. If yes, list the 10 largest (in terms of withdrawal value) holders of COLI and BOLI and their total withdrawal value. Liabilities with a given holder should be aggregated.

### V. Legal and Regulatory Requirements

1. Describe the procedures to assure that management is informed of changes in laws.
2. 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.
  - 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?
  - g. Treatment of policyholders in benefit settlement matters?
  - h. Disposal of real estate acquired by foreclosure?
  - i. Permitted noninsurance activities?
  - j. Foreign operations?
  - k. Reporting?
  - l. Others not already discussed above?

## Examination Planning Questionnaire (continued)

3. State any government restrictions or regulatory requirements that pertain specifically to the company including any permitted practices.
4. Provide copies of any limited scope examinations, audits by regulatory or other government agencies. Discuss any IRS revenue agent's reports, deficiency assessments, and developments in IRS examinations in progress.
5. Has the company complied with all debt covenants and other agreements?
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 addresses and who receives it.
2. Do you distribute the Code of Conduct and confirm that employees both receive and understand the Code and other policies? If so, please describe this process.
3. Do you have a process for updating policies and procedures? 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 have an established procedure to address compliance and ethics issues that arise? If so, please describe the procedures for this process and how the company scrutinizes the source of compliance failures?
7. Does the Code 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 Compliance & Ethics Forum for Life Insurers and/or other best practices organizations? If so, please list.