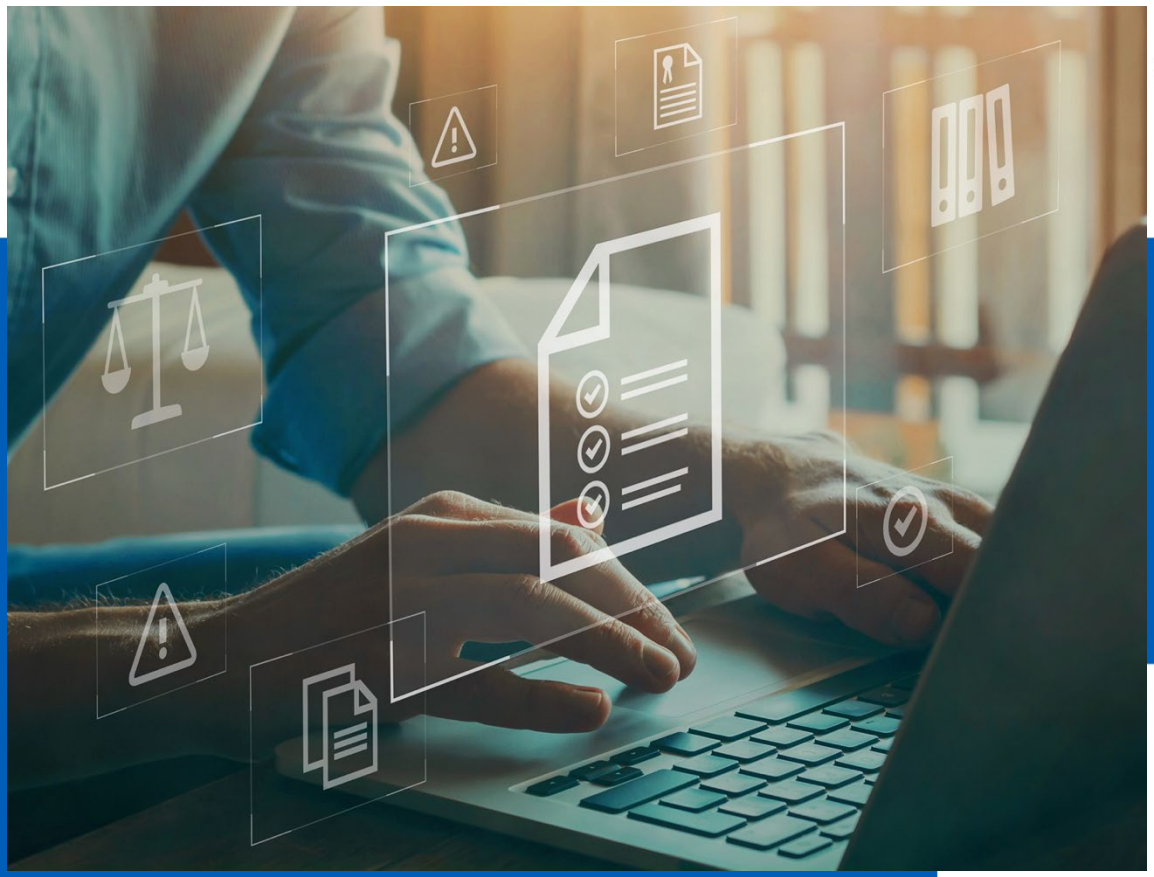
PERR KNIGHT

SERVICE REFERENCE GUIDE

COMPLIANCE & OPERATIONAL ASSESSMENTS / TRAINING (“COAT”)

INDEPENDENT. THOROUGH. KNOWLEDGEABLE.



Operational gaps and regulatory compliance violations may cause financial and/or reputational damage to entities who operate in the U.S. property and casualty insurance market, including insurers, fronting companies, InsurTechs, agents, managing general agents (“MGAs”), third-party administrators (“TPAs”), and others. The gaps and violations are typically caused by internal inefficiencies, lack of proper controls, insufficient analysis or testing of processes and/or unfamiliarity with regulatory requirements. Entities who are new to the insurance industry or have not previously been the recipient of a market conduct action are particularly vulnerable.

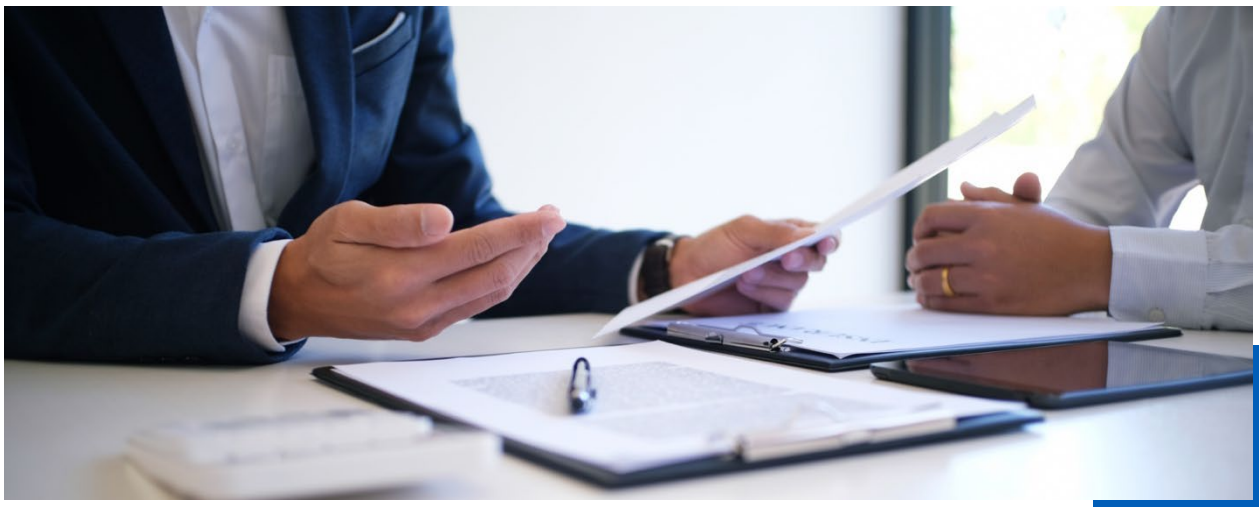
This damage often results from a regulatory inquiry or examination and may be inflicted through one or more penalties including cease and desist orders, consent orders, fines, license suspensions, or the loss of company’s certificate of authority. Operational gaps and compliance violations may also bring damages in possibly the most impactful form, that of long-term reputational risk and negative financial impact, such as devaluation of stock or a downgrade in AM Best rating.

PERR&KNIGHT'S CONSULTANTS

Perr&Knight has assembled an expert team of highly skilled consultants with over 200 years of combined insurance experience that spans claims, compliance, operations, product development, product management and underwriting. Our team understands the importance of continuing education and professionalism and has obtained more than 15 different insurance designations including Market Conduct Management ("MCM"), Our consultants are also active in the industry, regularly speaking at industry conferences and serving on the Board of Directors for the Association of Insurance Compliance Professionals ("AICP") and The Insurance Regulatory Examiners Society Foundation ("IRES-F").

Perr&Knight is well-positioned to provide compliance & operational assessments / training ("COAT") services to minimize or limit damages to property and casualty insurance entities through our:

- Years of experience providing regulatory compliance services to entities who operate in the property and casualty insurance industry;
- Depth of operational and compliance insurance knowledge;
- Familiarity with Department of Insurance ("DOI") regulations, National Association of Insurance Commissioners ("NAIC") model laws, and statutory reporting requirements; and
- Extensive regulatory compliance experience.



BENEFITS OF THE COAT SERVICE

Don't be a sitting duck for regulatory action. Limit your risk and mitigate the consequences.

- Identify risks before regulators do;
- Protect your reputation;
- Be proactive with DOIs;
- Reveal "what you don't know";
- Remove blind spots;
- Correct issues before they become problems;
- Prevent costs from spiraling

PROCESS AND DOCUMENTATION REVIEW

Perr&Knight consultants will review a client's documentation (e.g., procedure documents, manuals, best practices) for primary insurance areas of operations (e.g., advertising, claims, licensing, regulatory compliance, policyholder services, underwriting) for completeness, compliance and efficiency based on our expertise and experience with regulatory requirements, industry best practices and DOI positions. Our consultants will also interview key staff to ascertain how operations are performed in practice and uncover gaps or areas of risk. We'll deliver a clear, detailed report with recommended actions and train our client's staff on how to implement the recommendations.

MARKET CONDUCT AND FINANCIAL EXAM READINESS

Perr&Knight consultants will review the client's current processes and documentation for responding to a Market Conduct inquiry/exam and/or a Financial Conditions Exam for effectiveness and alignment with expectations outlined by the NAIC Market Regulations Handbook, the NAIC Financial Conditions Handbook, MCM Training, Regulator guidance and Perr&Knight's past experience. Our experts will recommend changes to increase efficiency, avoid pitfalls and streamline communications between departments and with the examiners.

MARKET CONDUCT AND FINANCIAL EXAM CLOSURE

Perr&Knight can assist companies with closing out market regulation actions and exams based on our experience performing similar projects over the last several years and publicly available market conduct information. Our experienced consultants can assist the client with the following: review the initial violations and if applicable, recommend violations to be reconsidered by the regulator, review the draft report, suggest draft responses or review responses drafted by our clients for completeness. We can also assist with drafting corrective action plans that may include opportunities to mitigate regulatory fines or reputational harm.

MOCK MARKET CONDUCT EXAMS

Perr&Knight can help clients discover compliance gaps and prepare them for the inevitable (a real market conduct exam) by conducting a mock market conduct exam. Our consultants will put a client through the paces of an exam for one or more insurance areas of operation in order to simulate a targeted or more broad DOI exam. Perr&Knight consultants will perform a detailed examination of the output for the selected area of operation, such as a claim or underwriting file, to check for compliance with regulatory requirements, industry best practices, DOI positions and/or internal controls. We'll also review how our client navigates the mock exam and make recommendations on process changes to increase the efficiency and effectiveness of how the company responds to a real exam in the future.

SAVE YOUR BRAND AND MITIGATE COMPLIANCE GAPS, FINES AND COSTS ASSOCIATED WITH MARKET CONDUCT ACTIVITY.

Market regulation is a given, you can't afford to ignore it. Today's insurance organization must be proactive and consistent in identifying and mitigating insurance compliance gaps. Our team of compliance experts has the experience, knowledge and foresight to help you understand the market conduct and financial exam processes, guide you through closure of exams, assist with identifying compliance gaps and provide training. Whether you are an MGA, InsurTech, insurance company start up or an established institution, we provide the guidance and support tailored to the individual client and project.

ABOUT PERR&KNIGHT

For over 30 years, Perr&Knight has provided insurance consulting and software solutions to the property & casualty and life, accident & health industries.

Our consulting services combine deep insurance expertise with technology, data and automation to help clients move from strategy through execution. Our capabilities include strategy (PK Blueprint), actuarial consulting, applied AI consulting, product development, insurance policy and forms consulting, regulatory compliance, compliance and operational assessments and training, state filings, agency and entity licensing, technology consulting, statistical reporting and data services, predictive analytics, and bureau monitoring and maintenance.

PK1Cloud is Perr&Knight's integrated insurance technology platform, designed to bring product development, filings, compliance, data, workflows, and institutional knowledge into a connected environment. The platform incorporates a growing range of AI and automation capabilities to help insurance professionals analyze information, streamline routine work, accelerate product development and navigate regulatory requirements more efficiently. From concept to market and throughout the ongoing product lifecycle, PK1Cloud helps carriers, MGAs and program administrators work faster, improve visibility and control, reduce friction and manage regulatory complexity with greater precision.

With offices nationwide and nearly 200 insurance professionals, including more than 35 credentialed actuaries, PK is among the largest independent actuarial and insurance consulting firms in the United States. For more than three decades, we have helped our clients not only respond to change in the insurance industry, but build what comes next.

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