

History Draft for Chapter 8

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The global recession and terrorism have ushered in a more complex business world than existed a few years ago. Hundreds of strategic alliances and partnerships form as the courses of events unfold and companies declared bankruptcy and interest rates fall. Long-held competitive advantages erode and new ones form. Both the challenges and opportunities facing insurance entities of all types and sizes are greater than ever. To this backdrop, a risk focus examination approach seeks to confirm that management has adopted an enterprise risk management approach to support its strategic decision making.

A risk focus examination approach provides up-to-date concepts and techniques for regulators to achieve a better understanding of the many factors affecting virtually all of a firm's strategic decisions. Risk focus assists regulators in determining the degree a company's management is prevention based and the degree it focuses on the detection of problems.

The risk focus approach exam approach allows multiple regulators and multiple divisions within a regulator's agency, as a collective body, to jointly assist in the examination planning process. The process re-performance may eventually culminate in a regulator's examination best practices.

As the planning entails the early extraction of company enterprise risk management data, the risk focus approach benefits both sides of the exam equation and is designed to eventually reduce audit time and costs. As the process encourages greater departmental involvement and teamwork, the process achieves easier resolution to past planning problems and lends consistency to all examinations.

One of the many benefits gained over the previous market conduct examination approach is that risk focus gathers all the input from the NAIC analytical tools and the company's own self-assessments or self-audits into one coordinated document that serves to examine the effectiveness of a company's or a group's management directed control programs.