

Florida's suggestions – 9/25/09

Risk-Focused Market Conduct Regulation

Risk-focused market conduct regulation directs regulatory efforts toward the review and analysis of issues that have the greatest potential for consumer harm and disruption in the marketplace.

A risk-focused approach places greater emphasis on a company's risk management culture, corporate governance structure, risk assessment programs, and control environment. This method enables regulators to determine the degree to which a company's management is prevention-based and focused on the detection of potential problems.

Risk-focused market conduct examinations can be used to identify and assess the risk inherent in the insurer's operations and to assess the adequacy and effectiveness of the insurer's strategies and controls to mitigate its risk. The risk assessment process should result in an increased focus and testing of business areas at high-risk for non-compliance. Conversely, the risk-assessment process should result in decreased focus and fewer tests (if any) on business areas at low risk of non-compliance.

The Risk-Focused Surveillance Process

A risk-focused surveillance process includes identifying significant risks, assessing and analyzing those risks, documenting the results of analysis, and developing recommendations for how the analysis can be applied to ongoing monitoring of the insurer. Increased attention by regulators to an insurer's risk assessment and risk management processes will be a positive development. Enhancements included in the risk-focused surveillance process will:

1. Delete function from the sentence
2. No changes
3. Not sure what "on a sector-wide basis" adds. Delete
4. No changes
5. No changes
6. No changes
7. No changes
8. No changes
9. I would remove this as a number and make it the concluding paragraph. Begin with -

In sum, the risk-focused surveillance process ... (keep paragraph from here on)

Application of the Risk-Focused Surveillance Process - I think this section can be deleted.