

HSS

Project Plan

Phase I ERM Assessment for LICOA

May 26, 2016



HSS Approach to ERM

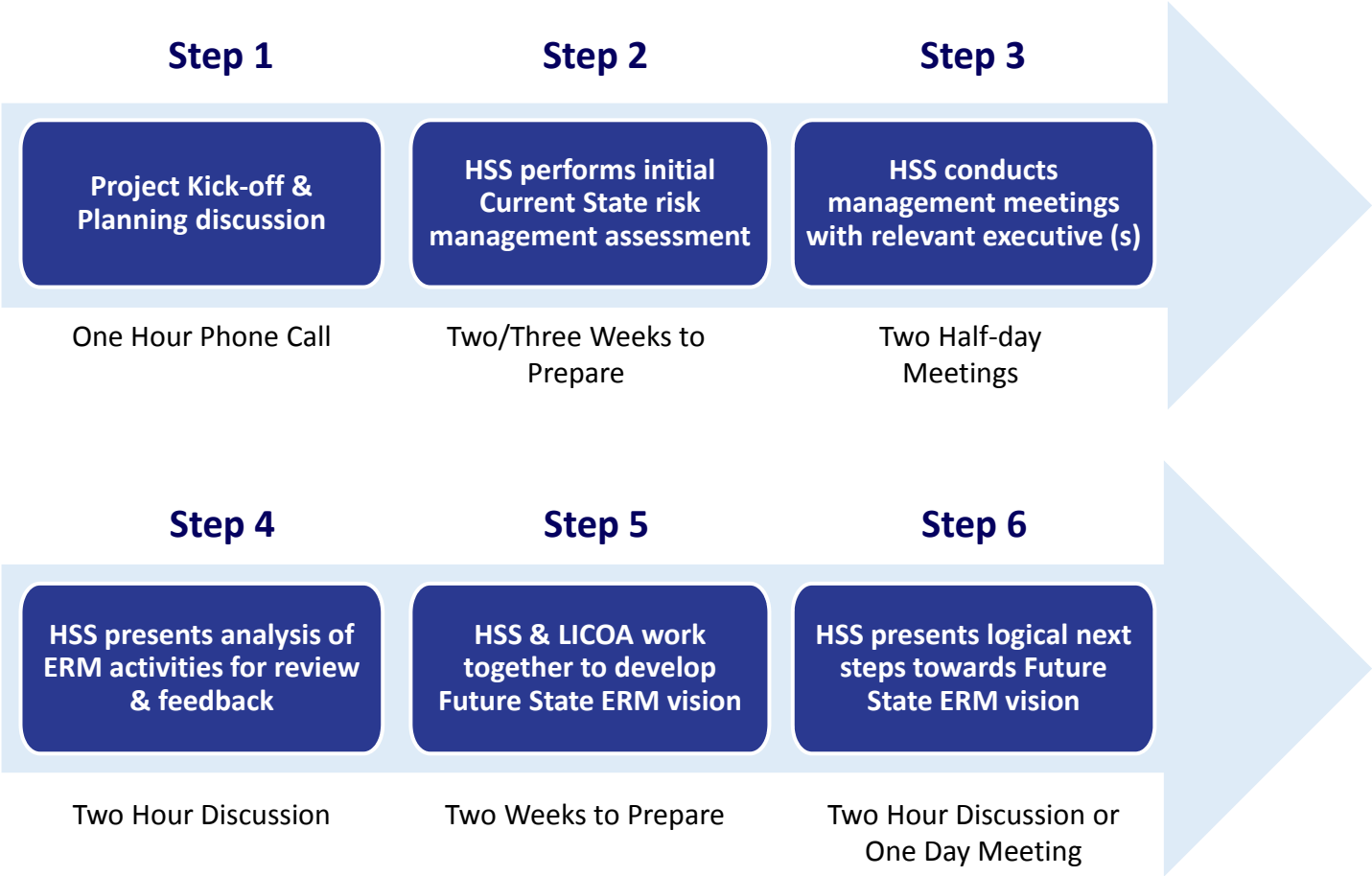
The HSS Enterprise Risk Management Approach

ERM Framework	Risk Assessment	Risk Capital	Report
<ul style="list-style-type: none">• Risk Culture/Governance• Risk Strategy• Risk ID/Prioritization• Risk Appetite, Tolerance & Limits• Risk Controls• Reporting/Communication	<ul style="list-style-type: none">• Strategic Risks• Insurance Risks• Financial Risks• Operational Risks• Emerging Risks	<ul style="list-style-type: none">• Capital Models• Financial Models• Rating Agency Models• Prospective Solvency Assessment	<ul style="list-style-type: none">• Synthesis of Key Themes• Perform Gap Analysis• Deliver Recommendations• Develop ORSA Report

High Level Approach to LICOA Phase I Engagement

	Key Phases	Summary of Activity
1.	Project Kick-Off	<ul style="list-style-type: none"> • Confirm scope and objectives of the ERM engagement • Conceptually agree on deliverables & estimate time-line for completion • Discuss information to be requested by HSS
2.	Review ERM Current State	<ul style="list-style-type: none"> • Conduct a review of current ERM activities & accountabilities
3.	Identify ERM Best Practices	<ul style="list-style-type: none"> • Highlight strengths & identify gaps in current ERM approach
4.	Conduct On-Site Management Meetings	<ul style="list-style-type: none"> • Review gap analysis findings • Develop a view of desired ERM “Future State”
5.	Consolidate Findings	<ul style="list-style-type: none"> • Provide recommendations to address gaps in the ERM “Current State” • Prepare high-level prioritized action plan to attain Future State
6.	Deliver Report	<ul style="list-style-type: none"> • Summarize findings, conclusions, and suggested next steps for discussion with executive management & other relevant stakeholders
7.	Phases II / III	<ul style="list-style-type: none"> • Review results of Phase I and discuss the next Phase(s)

Project Plan Status Update & Timeline



Summary of ERM Phase I Engagement Deliverables

1. Meet with key management
2. Review current business strategy, insure alignment with future vision objective to form an ERM Framework
3. Review financial, underwriting, claims, reinsurance and other operations to better understand risks
4. Industry comparables
5. Interview key employees and conduct ERM staff training sessions to set the stage for an ERM culture
6. Review the A.M. Best BCAR model & NAIC RBC capital requirements
7. Outline a roadmap of an ERM Framework & Plan, including best practices
8. Assist in structuring the ERM function with LICOA, including staffing, governance, and development of core components within the Company's priorities.
9. Set the stage for ORSA, when it becomes required.
10. Assist with corporate governance annual disclosure and cyber issues.
11. Two onsite visits of one or two days, as required, to your offices.

Enterprise Risk Management Gap Analysis

- HSS will perform a review and analysis of the information you provide
- The HSS Assessment will put LICOA in a better position to:
 - Identify & deliver on your Future State ERM objectives
 - Ensure ERM processes are aligned with criteria used by regulators (e.g., ORSA) rating agencies (e.g., A.M. Best and Standard & Poor's) in their rating process
- The HSS review will be focused in three key areas:
 - Risk management framework
 - Assessment of risk assessment processes
 - Assessment of risk & capital models
- The output of this project will include:
 - A synthesis of key themes identified from our review of the information provided
 - A gap analysis highlighting strengths and areas to potentially improve based on current risk management processes
 - Recommendations to address key gaps to support an enriched ERM Future State approach
- HSS's review to assess the effectiveness of LICOA's current risk management processes will include (but not be limited to) criteria outlined on the following pages.

ERM Request for Information

HSS Initial Information Request

After a “Project Kick-Off” discussion; we begin the process by requesting the following items where applicable:

1	Brief description of LICOA’s long term strategy and short term goals & objectives
2	Description of the objectives of LICOA’s risk management program today and in the future?
3	Description of roles & responsibilities, current and prospective, of person(s) responsible for risk management activities within LICOA. Include relevant operating structure and business unit reporting lines for these persons
4	Relevant information related to LICOA’s current risk management framework in areas such as: risk identification & prioritization; risk appetite, risk tolerance & limits; risk reporting & communication; risk culture & governance
5	ERM related information submitted to LICOA’s most senior level risk committee including output from risk & control assessments performed by the organization
6	Summary level output from relevant financial models (e.g., RBC, BCAR, economic capital, financial projections, loss reserve estimates & catastrophe exposure), include reference to roles & responsibilities for persons preparing models
7	ERM related information submitted to rating agencies and regulators, along with feedback received if relevant

HSS Initial Information Request

8	Summary of LICOA's underwriting and claims guidelines, corporate insurance and reinsurance programs.
9	Any reinsurer audits comparing underwriting guidelines to actual
10	Summary of LICOA's business continuity & disaster recovery and it security
11	Summary of any significant regulatory or audit issues that have arisen over the last two years
12	The latest A.M Best Report, Supplemental Rating Questionnaire (SRQ), presentation materials , President's Letter and QAR Copy of President's Letter, and Quantitative Analysis Report (QAR) received from A.M. Best
13	LICOA's investment policy statement.
14	The latest actuarial opinion and memorandum
15	Lapse rate, new business %, product mix , distribution channels, policies in force, new and renewal split, policies per agent, <i>et al.</i>
16	Other information LICOA would like HSS to review related to its current risk management activities



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