

**U.S. RESPONSE TO
ICP 7 – CORPORATE GOVERNANCE
*2016 ASSAL CONFERENCE***

Ted Nickel

NAIC President-Elect

Commissioner, Wisconsin Office of the Insurance Commissioner

I. ICP 7 – CORPORATE GOVERNANCE

Corporate Governance - A framework of rules and practices by which a board of directors ensures accountability, fairness and transparency in an insurer's relationship with all its stakeholders.

- Key elements of effective corporate governance include the following:
 - Clearly defined roles and responsibilities
 - Independent and active board members
 - Individuals are suitable for their roles
 - Members act in good faith and exercise a duty of care, loyalty and candor
 - Sufficient oversight provided for significant company activities

II. U.S. REQUIREMENTS

Requirements Outside of State Insurance Regulation:

- General Corporate Law
- Existing Case Law
- SEC Requirements
- Stock Exchange Listing Requirements
- 18 U.S.C. § 1033-1034

II. U.S. REQUIREMENTS

State Insurance Regulatory Requirements:

- Holding Company Models (#440 & #450)
 - Requires assertion regarding the effectiveness of governance practices over the holding company group
 - Provides sanction authority to commissioner
- Hazardous Financial Condition Model (#385)
 - Lists governance concerns as a consideration for deeming an insurer to be in hazardous financial condition
 - Provides authority for the commissioner to require corrective action to address governance deficiencies

II. U.S. REQUIREMENTS

State Insurance Regulatory Requirements (cont.):

- Model Audit Rule (NAIC #205)
 - Audit Committee Requirements
 - Outlines oversight responsibilities for audit function, independence requirements, etc.
 - Conduct associated with required reports and documents
 - Requires officers and directors to provide accurate and complete information through required filings

II. U.S. REQUIREMENTS

State Insurance Regulatory Requirements (cont.):

- Required Reporting and Disclosures
 - Annual Statement and Supplemental Filings
 - Interrogatories, audit filings, actuarial filings, compensation exhibit, etc.
 - Corporate Governance Annual Disclosure
 - Corporate Governance Framework & Structure
 - Board of Directors Policies & Practices
 - Management Policies & Practices
 - Oversight of Critical Risk Areas

III. U.S. REVIEW PRACTICES

Company Licensing

- Review CG information before license is granted
 - Biographical Affidavits
 - Criminal Background Checks
 - Plan of Operations
- License denied if information is incomplete or inappropriate

III. U.S. REVIEW PRACTICES

Financial Analysis and Reporting

- Biographical affidavits for new individuals
- Code of Conduct information
- Supplemental Compensation Exhibit
- Group governance assertion (Form B)
- Audit reports and findings
- Management's Discussion & Analysis
- Corporate Governance Annual Disclosure

III. U.S. REVIEW PRACTICES

Financial Examination

- Onsite review of corporate governance and risk management.
- Interviews of Directors and Senior Management
- Review of BOD minutes and activities
- Overall CG Assessment

CONCLUSION

- Effective corporate governance is key to maintaining the solvency of insurers and insurance groups
- U.S. supervisors require effective governance practices through both corporate law and insurance regulatory requirements
- U.S. insurance regulators closely monitor the effectiveness of governance practices to enforce standards

QUESTIONS

