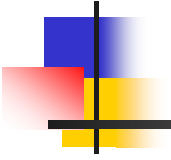


Insurers' Corporate Governance



3rd Asian Forum of Insurance Regulators

25 April 2008

Nobuyoshi Chihara

Financial Services Agency, Japan

1

Contents



I. What is Corporate Governance?

II. Corporate Governance in ICP

III. Corporate Governance within IAIS

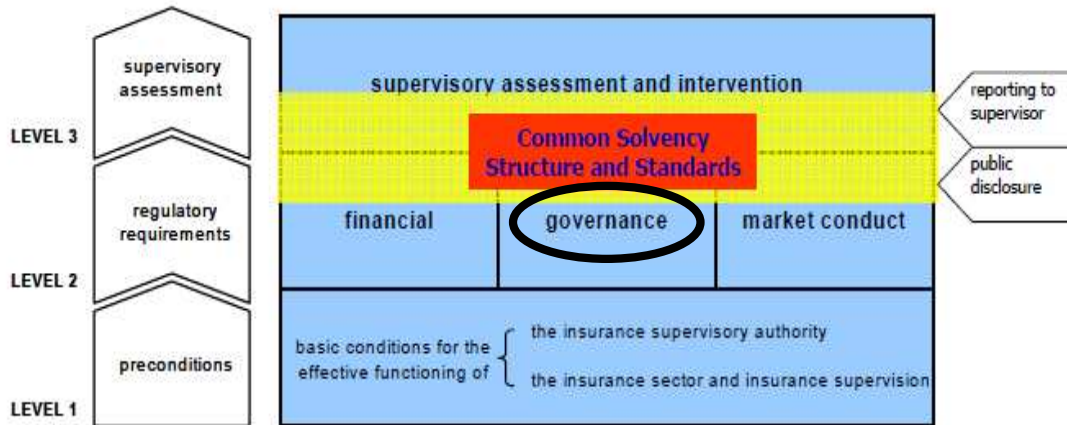
IV. Essential Elements for Insurers' Governance

V. Conclusion

2

I. What is Corporate Governance?

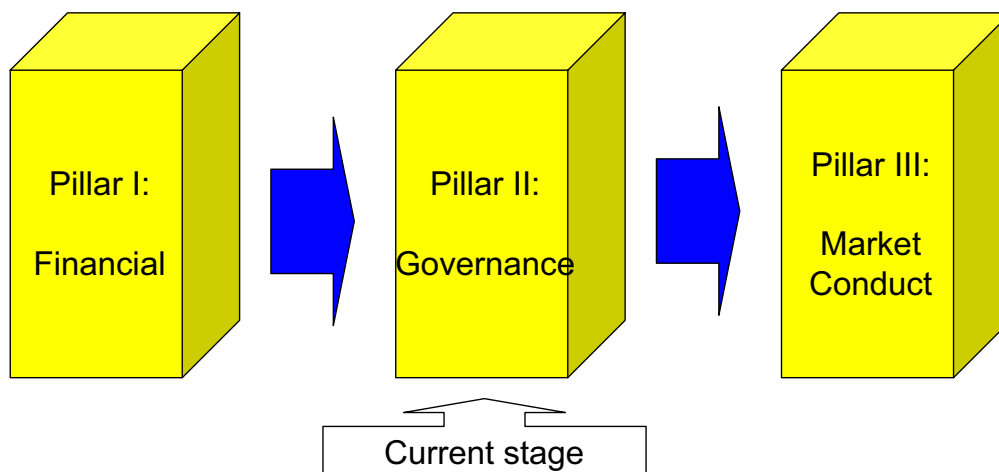
Supervisory Framework



3

I. What is Corporate Governance?

IAIS's focus on the three pillars of framework



4



II. Corporate Governance in ICP

ICP 9 Corporate governance

The corporate governance framework **recognises and protects rights of all interested parties**. The supervisory authority requires compliance with all applicable corporate governance standards.

** Please refer to appendix for details.*

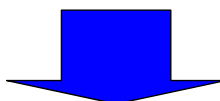
5



III. Corporate Governance within IAIS

- Governance and Compliance Subcommittee -

Corporate Governance Task Force
(February 2007 – October 2007)



Governance and Compliance Subcommittee
(October 2007 –)

6



III. Corporate Governance within IAIS

- Governance and Compliance Subcommittee -

1. Structure

Chair: Nobuyoshi Chihara (FSA Japan)

Vice Chair: (vacant)

Members: Argentina, Bahrain, Bermuda, Chinese Taipei, European Commission, France, Germany, Guernsey, India, Italy, Japan, Lebanon, Malaysia, Namibia, Netherlands, Singapore, Switzerland, United Kingdom, US, Zambia

7



III. Corporate Governance within IAIS

- Governance and Compliance Subcommittee -

2. Mandate

Mandate (Taskforce recommendations)

- Carry out a survey into industry practice with the assistance of the WB and the OECD.
- Develop high level corporate governance principles and guidance applicable to the insurance industry.

Roadmap (2008-2009)

- Will develop sound high-level corporate governance principles applicable to the insurance industry
- The Subcommittee will promote the effective and efficient application of the governance principles through the development of guidance and training material. This work will include a survey of industry practice in the area of corporate governance, and will work closely with the OECD Insurance and Private Pensions Committee to avoid duplication of effort and to ensure consistency.

Technical Committee (@Fort Lauderdale)

- The new Subcommittee in working on its mandate should: have particular regard for issues of insurer governance that are specific to insurance supervision and avoid duplication of existing work explore the best modalities to cooperate with the OECD possibly through joint work and/or joint principles. It was also agreed to respond to the OECD that the new Subcommittee had been asked to do so.

8



III. Corporate Governance within IAIS

- Governance and Compliance Subcommittee -

3. Challenges

Timeframe

- From 2009, a new IAIS procedure will be applied. According to the new procedure, the Subcommittee has to be ready for public consultation before February for the reviews and discussions in the Technical Committee and Executive Committee so that a proposed supervisory paper could be approved in the 2009 General Meeting. Therefore, to finalise some sort of supervisory paper for adoption in the 2009 General Meeting, we only have less than one year. It would not be practical to finalise high-level principles with high quality contents within less than one year.

Modalities

- The Technical Committee suggested to us to explore the best modalities to cooperate with the OECD. If it is achievable within a reasonable timeframe and without material compromises, joint works for the single document would be theoretically and ideally the most desirable. However, as the objectives and procedures of the two organisations are too different, it would be quite challenging for both organisations to agree on a single document.

Contents

- As good Corporate Governance highly depends on the market, legal, cultural, regulatory and supervisory environments of the jurisdictions, jurisdictions and industries have variety of issues. To achieve useful principles of corporate governance, such various issues should be taken into account in the drafting processes.

9



III. Corporate Governance within IAIS

- Governance and Compliance Subcommittee -

4. Work plan

2008-2009.2

- Industry survey would provide good insights for our principles. Therefore, it would be better to exercise the survey as early as possible. To speed up the survey exercise, it would be good to draft and exercise the survey through joint working with OECD

- The result of the survey could be a good material for the principles. Therefore, this Sub-Committee can not only summarize the survey but also identify and elaborate the issues based on the summary. As such Issue paper will not have any mandatory descriptions, it would be easier to reach a consensus between this Sub-Committee and OECD relevant working group. During the process, each organization would find out the area where joint works are mutually beneficial. Therefore, I would like to propose to OECD to have a joint working for this Issue Paper first.

2009.3-2010

- Based on the Issue Paper, we can obtain high level principles to solve the various matters identified through the industry surveys and in the issue paper. At this stage, further modalities between this Sub-Committee and OECD relevant working body can be discussed based on the experience that we obtain through the industry survey and issue paper.

10



IV. Essential Elements for Insurers' Governance

I. Governance Structure

II. Stakeholders

III. Board of Directors

IV. Qualifications

11



IV. Essential Elements for Insurers' Governance

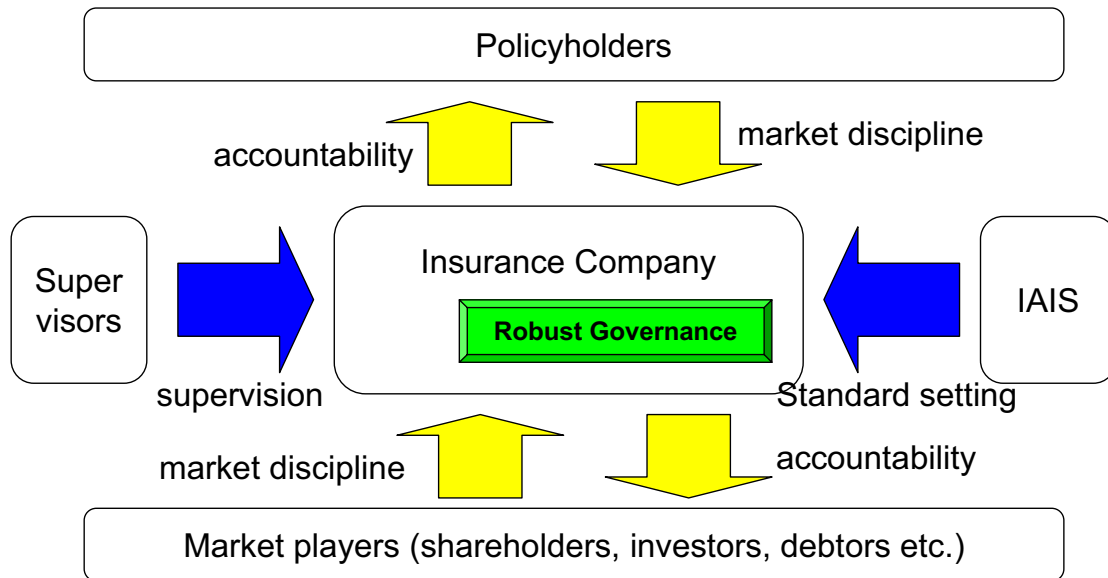
V. Actuary

VI. External Auditor

VII. Others

12

V. Conclusions



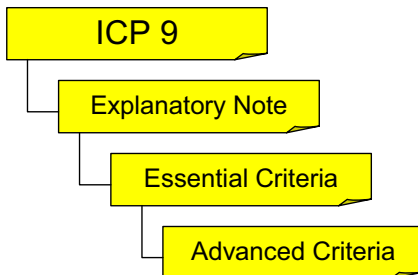
13

Appendix

14



(Appendix) Corporate Governance in ICP



Explanatory Note (excerpt)

- Corporate governance refers to the manner in which boards of directors and senior management oversee the insurers' business.
- Corporate governance includes corporate discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.
- Corporate governance also includes compliance with legal and regulatory requirements.
- The board is the focal point of the corporate governance system.
- it is necessary to establish additional requirements, through the insurance legislation, that deal with the matters of specific concern and importance to insurance supervisors.

15



(Appendix) Corporate Governance in ICP

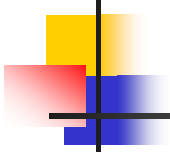
Essential Criteria (excerpt)

- a. The supervisory authority requires and verifies that the insurer complies with applicable corporate governance principles.
- b. The board of directors:
 - sets out its responsibilities in accepting and committing to the specific corporate governance principles for its undertaking.
 - establishes standards of business conduct and ethical behaviour for directors, senior management and other personnel.
 - communicates with the supervisory authority as required and meets with the supervisory authority when requested.
 - sets out policies that address conflicts of interest, fair treatment of customers and information sharing with stakeholders, and reviews these policies regularly.
- c. Senior management is responsible for overseeing the operations of the insurer and providing direction to it on a day-to-day basis, subject to the objectives and policies set out by the board of directors, as well as to legislation.

Advanced Criteria (excerpt)

- e. The remuneration policy should not include incentives that would encourage imprudent behaviour.
- g. When a "responsible actuary" is part of the supervisory process, the actuary has direct access to the board of directors or a committee of the board.

16



Thank you.