



# IAIS

INTERNATIONAL ASSOCIATION OF  
INSURANCE SUPERVISORS

Public

## **Compiled Public Consultation Comments on Application Paper on the Composition and the Role of the Board**

**29-Jun-18 to 13-Aug-18**

Organisation	Jurisdiction	Confidential	Answer	Resolution of comments
<b>Q1 General comments on the Application Paper</b>				
1. Association of Bermuda Insurers and Reinsurers	Bermuda	No	The Association of Bermuda Insurers and Reinsurers ("ABIR") represents the public policy interests of Bermuda's international insurers and reinsurers that protect consumers around the world. ABIR kindly thanks the International Association of Insurance Supervisors ("IAIS") for the opportunity to comment on the Draft Application Paper on the Composition and the Role of the Board.	Noted.
2. Insurance Europe	Europe	No	<p>Insurance Europe appreciates the work and objective of the draft application paper on the composition and role of the Board. The format chosen for the paper (as described in paragraph 8) is very clear and efficient for the intended use of the paper, and the links made to ICPs 5 and 7 are helpful for assessing the underlying requirements together with the proposed supervisory practices. In respect to the latter, Insurance Europe would like to stress that further comments on the mentioned ICPs, may be provided in response to the upcoming ComFrame consultation in August.</p> <p>On content, Insurance Europe would like to convey the following general observations:</p> <ul style="list-style-type: none"> <li>- While it is appreciated that a clear distinction between supervision and regulation is difficult to achieve, Insurance Europe would like to highlight that some of the concrete measures proposed in the draft application paper would clearly require legislative/regulatory basis (eg paragraph 60). It is not clear whether an IAIS application paper with the stated scope of providing "further advice, illustrations, recommendations or examples of good practice to supervisors on how supervisory material may be implemented" is the correct tool to propose such measures.</li> <li>- Supervisory measures should not interfere with the natural process and functioning of Board processes. Some of the measures put forward in this paper</li> </ul>	<p>Noted.</p> <p>If a supervisor decides to implement a suggested supervisory practice, it is up to them to take the appropriate steps to do so, which may include legislative changes. The IAIS would like to stress that the Application Paper is addressed to supervisors, who should always act in accordance with the laws and regulations of their jurisdiction (the Application Paper does not suggest otherwise).</p> <p>The paper provides supervisor tools aimed at facilitating proactive supervision of corporate</p>

			<p>have the potential to be overly intrusive in some instances, eg participation of supervisors in Board meetings, asking the Chair to convey supervisory views, and supervisors having a strong hand in picking the composition of the Board and influencing the composition/rotation of the Board over time.</p> <p>- As is referenced several times in the draft paper, often there is an overlap between national company law and proposed (insurance-specific) governance measures. Insurance Europe would like to underline that in such cases, supervisors will be able to apply the recommended measures only within their respective legislative frameworks.</p> <p>- While Insurance Europe generally agrees with the distinction between formal and behavioural aspects of the proper functioning of a Board, a number of supervisory practices proposed on the latter (under 9.) seem to be overly intrusive and not necessarily fit-for-purpose. Some of the challenges listed under 9. can indeed raise significant governance concerns, however, the supervisory methods to identify and address such scenarios require further elaboration in Insurance Europe's view. In particular, the attendance of supervisory staff in Board meetings is inappropriate, unless it follows the explicit invitation from the insurer.</p> <p>- Insurance Europe suggests that the application paper includes a reminder for supervisors of the need to take a proportionate approach in their application of requirements to insurers. While this is reflected in part in the examples from the DNB and PWC in the annexes, it would be helpful if the paper provided a more objective framework for the application of proportionality.</p>	<p>governance. Supervisors should apply suggested supervisory practices as needed and relevant, considering – among other things – the individual situation and characteristics of an insurer as well as the specificities of the Board functioning.</p> <p>Noted.</p> <p>Not agreed. See the above responses and resolution of comments on Section 9.</p> <p>The description of the role of proportionality principle has been added to the Introduction of the Application Paper (paragraph 4).</p>
3. GDV - German Insurance Association	Germany	No	<p>The German Insurance Association appreciates the opportunity to provide comments on the Draft Application Paper.</p> <p>Irrespective of the disclaimer in Paragraph 3, the paper is evidently inspired by the model of a monistic composition of the Board. Germany, however, adopts a</p>	<p>The Application Paper does not refer to any specific model of corporate governance, neither do relevant ICPs. Supervisory practices described in the Application Paper</p>

			<p>dualistic governance structure of joint stock companies.</p> <p>This applies in particular to the separation between the Executive Board and the Supervisory Board. The German system has proven itself even in times of financial crisis. It is therefore important to make a clear distinction between the management and control functions. The requirements for members of the Supervisory Board as well as their tasks and duties must be appropriately identified.</p> <p>In general, many recommendations are overly descriptive and raise concerns in terms of proportionality. This particularly applies to Paragraphs 13, 41-43, 45 and 53. Other suggestions unnecessarily restrict the entrepreneurial freedom and the room to maneuver (e.g. Paragraphs 14, 15, 23, 48, 49, 51).</p> <p>Hence, the implementation of the proposed approach may tempt authorities to challenge strategic corporate decisions of the Executive Board or the Supervisory Board. However, it is not the task of the authorities to second-guess corporate decisions or replace them with their own supervisory judgment. Therefore, it is vital that the application paper adopts a more principle-based approach, giving both the authorities and the undertakings the necessary degree of flexibility to comply with regulatory requirements in accordance with their legal environment.</p> <p>The entire section on investigating and supervising behavioral aspects within the Board is highly subjective and hardly measurable. We strongly suggest deleting this section as it only creates legal uncertainty for both supervisors and undertakings. Supervisory intervention must be based on objective and verifiable criteria.</p>	<p>should be applied in consideration of corporate governance model used in a particular jurisdiction.</p> <p>The relevant body, referred to in the Application Paper as Board, should be determined on the basis of its responsibilities and competences.</p> <p>As regards proportionality, see response to the last part of comment 2.</p> <p>Not agreed. See the above responses and resolution to comments on Section 9.</p>
4. Global Federation of Insurance Associations	Global	No	<p>GFIA appreciates the opportunity to comment, and the work and objective of the draft application paper on the composition and role of the Board. However, there are many aspects of the paper that are unnecessarily intrusive.</p> <p>The format chosen for the paper (as described in paragraph 8) is very clear and efficient for the intended use of the paper, and the links made to ICPs 5 and 7 are helpful for assessing the underlying requirements together with the proposed supervisory practices. In respect to the latter, GFIA would stress that further comments on the mentioned ICPs may be provided in response to the ongoing ComFrame consultation.</p>	Noted.

			<p>On content, GFIA would like to convey the following general observations:</p> <ul style="list-style-type: none"> <li>-GFIA especially appreciates the comments of the chairperson during the introductory stakeholder call and recommends that the substance of those comments be included in the paper. In part, they were to the effect that this paper presents a box of tools for supervisors to consider using with respect to particular circumstances and companies as needed and appropriate. GFIA understands that to mean there is no suggestion that any or all of the tools must be used, and that should be clarified in the paper.</li> <li>-There are a number of places where the word "should" is used in the paper. Again, based on the call, GFIA is of the view that this was not intended, so in all cases "may" should replace "should" with the exception of direct quotes from ICPs (paragraphs 25 and 51).</li> <li>-GFIA suggests that the application paper includes a reminder for supervisors of the need to take a proportionate approach in their application of requirements to insurers. While this is reflected in part in the examples from the DNB and PWC in the annexes, it would be helpful if the paper provided a more objective framework for the application of proportionality.</li> <li>-Applying some of the tools would be so intrusive as to blur the line between the supervisor and the private, supervised insurer, to the detriment of both (examples listed below). The paper should also make clear that a more intrusive approach might be justified for a company in receivership or liquidation, but not for a financially sound company with good management.</li> <li>-Regarding the proposed attendance of Board meetings, such intrusive involvement in the Board's functioning could lead to legal exposure for supervisors deemed to have acquiesced to, participated in, or led deliberations and decisions that subsequently prove to be problematic in at least on major jurisdiction's legal system.</li> <li>-There is a risk that line between regulatory oversight of Boards and Board intrusion could be blurred since supervisors would be able to: contribute their views and suggestions on issues they think the Board should consider; conduct interviews</li> </ul>	<p>This understanding is correct. It is already reflected in the description of the nature of the Application Papers, provided on page 2 of the paper.</p> <p>"Should" is commonly used across IAIS materials as an indication of guidance – not a requirement. Its use in the Application Paper indicates a good practice.</p> <p>As regards proportionality, see response to the last part of comment 2.</p> <p>See response to comment 2.</p> <p>See response to comment 2</p> <p>Noted.</p>
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			<p>with all Board members to ascertain the Board decision-making process; and attend Board meetings as an observer and review agendas and minutes (or have a third party behavioral expert attend).</p> <p>-Supervisors would be allowed to suggest how a Board should be organising itself and documenting Board processes and procedures. Such suggestions include: requesting Boards to establish a nomination policy or committee; challenging the number of Board members; reviewing the amount of onboarding/training; directing internal audit activity on Board versus management roles; and instructing that the Chair or CEO should not be a member of a committee. In GFIA's view, these items should be within the purview of the Board itself without regulatory interference.</p> <p>-Supervisors would also be allowed access to internal audits and board evaluations/self-assessments. However, such access could chill candid feedback on Board self-evaluations.</p> <p>-Supervisors would be able to weigh in on the adequacy of a Board's minutes, including conducting "interviews with Board members to validate and corroborate that the minutes are an accurate reflection of the Board discussions and decision-making". Such supervisory activities would be overly intrusive, and there is no single standard on the adequacy of minutes.</p> <p>-While it is appreciated that a clear distinction between supervision and regulation is difficult to achieve, GFIA would highlight that some of the measures proposed in the draft application paper would require legislative/regulatory basis (eg paragraph 60). It is not clear whether an IAIS application paper with the stated scope of providing "further advice, illustrations, recommendations or examples of good practice to supervisors on how supervisory material may be implemented" is the tool to propose such measures.</p> <p>-As referenced several times in the draft paper, there is often an overlap between national company law and proposed (insurance-specific) governance measures.</p>	<p>Relevant ICPs already describe how some aspects of the Board functioning should be organised. This Application Paper is aimed at supporting observance with those ICPs.</p> <p>This type of information may be needed to perform by the supervisor a well-informed assessment of the Board functioning.</p> <p>Minutes may be used by the supervisor as a source of relevant information. For this purpose, the supervisor may need to provide the insurer with feedback on the quality and content of the minutes. As discussed in para. 70, the supervisor may also provide insurers with guidance on how to draft minutes.</p> <p>See response to comment 2.</p> <p>See response to comment 2.</p>
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5. Institute of International Finance	Global	No	<p>The Institute of International Finance and its members ("IIF") appreciate the International Association of Insurance Supervisors (IAIS)' continuous effort exploring the topic of corporate governance in its supervisory materials as well as other supporting materials, and we welcome the opportunity to provide input to the Draft Application Paper on the Composition and Role of the Board. In its response to the Consultation on Revised ICP 5, 7 and 8, the IIF has emphasized the</p>	<p>Noted.</p>

		<p>importance of corporate governance issues and has provided inputs to the corresponding ICP items. We appreciate the additional opportunity to comment further on issues specifically concerning the Board and we will submit more detailed comments in the online tool.</p> <p>Firstly, as a general comment, we recognize the IAIS acknowledgement of different Board structures and governance processes around the world. However, we suggest that this acknowledgment be better reflected throughout the paper . Accordingly, in line with the comment we made in the ICP consultations last year, any guidance regarding the Board should distinguish between the role of Boards in the EU which have a tiered structure that includes a "management" and an "executive" board, and other jurisdictions, such as the US where the Board carries out more of an oversight function. The Application Paper seems to take more of a European view of the Board in its elaboration. In this context, we would like to suggest the IAIS reflect corporate structures and legal systems in different jurisdictions in any potential guidance that will be produced based on the Application Paper.</p> <p>Secondly, the Application Paper directs supervisors to involve themselves closely in a variety of subjective aspects of governance, including informal interpersonal relationships and aspects of individual and group psychology, with no standards or criteria for guidance. The Paper seems to suggest that in some cases supervisors could intervene in governance, restructure Boards and conduct investigations based on vaguely articulated forms of dysfunctional behavior, such as "unconscious and often unquestioned sharing of common assumptions." We are concerned that such prognosis may go beyond what is necessary to achieve supervisory objectives and suggest that absent both evidence of such behavior violating rules and regulations that the firm is subject to, or threatening its financial strength, or the well-being and rights of shareholders and/or policyholders, and objective criteria to guide intervention, this type of guidance is inappropriate.</p> <p>Thirdly, the Application Paper doesn't provide guidance or information on the different role of the insurance supervisor versus public company authorities as well as the lack of authority of the insurance supervisor, in some instances, to interfere as suggested in the paper. In our view, clarification should be made between the role of each and that supervisors should defer to the laws and regulations of their local jurisdiction.</p>	<p>The Application Paper does not refer to any specific model of corporate governance, neither do relevant ICPs. Supervisory practices described in the Application Paper should be applied in consideration of a corporate governance model adopted in a particular jurisdiction.</p> <p>See responses to comments 2 and 193.</p> <p>The Application Paper is addressed to supervisors, which should always act in accordance with the laws and regulations of their jurisdiction (the Application Paper does not suggest otherwise).</p>
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6. AIA Group	Hong Kong	No	<p>AIA is pleased to provide comments on the draft application paper on the Composition and the Role of the Board.</p> <p>AIA believes that strong corporate governance is essential to the delivery of sustainable value and is essential to maintaining a culture of business integrity. The composition of the board of AIA Group Limited is well balance with each director having sound level experience and expertise relevant to the business operations and development of the Group. The board of AIA Group Limited is comprised of members with extensive business, financial, government, regulatory and policy experience from a variety of backgrounds. Each director receives personalised induction, training and development. Directors receive detailed briefings on the Group's principal businesses, the markets in which it operates and the overall competitive environment. Other areas addressed include legal and compliance issues affecting directors of financial services companies, the Group's governance arrangements, the principal basis of accounting for the Group's results, the internal audit and risk management functions, its investor relations programme and remuneration policies. The directors are continually updated on the Group's business and the latest developments to the Listing Rules and other applicable statutory requirements to ensure compliance and continuous good corporate governance practice.</p> <p>We look forward to the compiled comments on the consultation and participating in any further consultations or discussions.</p>	Noted.

7. The Geneva Association	International	No	<p>We would like to thank the International Association of Insurance Supervisors (IAIS) for providing us with the opportunity to comment on the Draft Application Paper on the Composition and the Role of the Board. We are aware that the Institute of International Finance (IIF) is also going to respond to this Application Paper and we are familiar with their upcoming response. We would like to express our support for and alignment with the IIF response. We appreciate that the draft Application Paper provides supervisors with additional guidance on practical interpretation and applications of the standards as set out in ICP five on the suitability of persons and ICP seven on corporate governance. However some significant parts of the proposed guidance, are of concern to us.</p> <p>We would like to highlight that the guidance presented on potential intra-group conflicts of interest (chapter 7) is very helpful. In particular, the notion that being a board member of multiple entities within one group may help create a common culture and consistent management across the group and may lead to long-term synergies in strategy setting and talent management is valuable practical advice and ties back to the EU initiative on Group interest.</p> <p>Although we realize that Application Papers do not provide new standards and are not legally binding, but aim to provide supervisory authorities with additional material related to IAIS standards, to support practical application and implementation, we believe that the Draft Application Paper - and most notably its Chapter 9 goes beyond that and embeds risks that supervisors interfere with the natural functioning of Board processes.</p> <p>The supervisor is expected to closely investigate the way the CEO interacts with the Board as well as the way Board members interact among themselves. It is furthermore suggested that supervisors should have a strong hand in designing the composition of the Board and influence the way it should evolve over time. In our view, this would tend to bring the supervisor too close to matters which relate to the owners of the companies, their general assemblies and those ultimately responsible for carrying through the individual business models. We also would like to point to potential overlap between some of the governance measures proposed by the IAIS and national company laws, in particular with regard to jurisdictions where the positions of the Chair and CEO may be combined.</p> <p>The Application Paper makes reference to the supervisor possibly taking part in</p>	<p>Noted.</p> <p>Noted.</p> <p>See response to comment 193.</p> <p>See response to second bullet of comment 2.</p> <p>See response to comment 212.</p>
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		<p>board meetings, which has the potential to interfere with the objectivity of the meeting and to undermine the independence of both Board and supervisor. In any case, this measure, including the suggestion that the supervisor could have a behavioural expert attend a Board meeting, does not constitute a common supervisory practice in jurisdictions, nor does the proposal of holding supervisor meetings with individual Board members instead of focusing on the functioning of the Board as a whole (e.g. through examining the minutes of Board's meetings).</p> <p>When supervising more traditional governance issues relating to insurance, the supervisor has a defined a clear set or rules and can make informed decisions based on, among others, comparison of many different companies. It is unlikely this would be the case when it comes to overseeing the stipulated behavioural aspects of the Board's functioning. Where the respective jurisdiction includes formal considerations on the enforcement of diversity at Board level, relying on such considerations may be more appropriate from a supervisory perspective.</p> <p>The invasive supervisory approach outlined in chapter 9 of the draft Application Paper (e.g., review of board minutes by supervisors, presence of supervisors at board meetings) may trigger unintended side effects such as a shift of where the actual and essential board discussions de facto take place (not in the board room anymore but rather in informal settings and "off the records"). Similarly, the relevant decisions may in reality not be taken anymore during the board meeting but rather informally beforehand (and thus in a less transparent fashion). If board members feel that their interactions are being overseen by supervisors in a very rigorous manner this may negatively impact an open discourse and not necessarily inspire the constructive exchange of a variety of (potentially challenging) perspectives at board level.</p> <p>The issues which chapter 9 of the Application Paper tries to address would usually be addressed by existing means as, for example in the UK, the Board effectiveness audits, this is what the supervisor should be using to assess the behavioural aspects of the Board's functioning. Beyond the fact that this part of the Application Paper is too prescriptive, we would like to add that customs and laws of each jurisdiction must be respected. Some of the concrete measures proposed would also require legislative basis (e.g. defining a maximum number of mandates to be held within a group) and an Application Paper is not the right tool to go in this direction.</p>	<p>As regards Section 9, see responses to comments on this section.</p>
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8. Jean Monnet Chair on EU Financial and Insurance Markets Regulation, University of Genoa - Institute of Financial Law, Radboud University of Nijmegen	Italy and The Netherlands	No	<p>We will not comment on any of the specific paragraphs, other than general comments. We believe that most remarks and suggestions in the discussion paper make sense, although we question if these can generally be labelled as "good practices." We feel that many observations are highly dependent on the context: cultural aspects, the maturity of the organisation (less formal governance might be justified in smaller, less complex insurers), the state the company is in (if a company is going through a transformation process a different culture might be required, etc.).</p> <p>We agree with the summary of the IAIS that the desired outcome of an effective Board may be summarised as one that:</p> <ul style="list-style-type: none"> <li>- Establishes a sustainable business model and a clear strategy;</li> <li>- Articulates and oversees a clear and measurable statement of risk appetite against which major business options are actively assessed, and</li> <li>- Meets its regulatory obligations, is open and proactively engages the supervisor and sets a culture that fosters prudent management.</li> </ul> <p>The paper describes the supervisory expectations with respect to the relationship between the insurer and its supervisor to some extent as a "long-term commitment</p>	Noted. Please see responses to previous comments, as regards proportionality, the nature of the IAIS Application Papers and the scope of this Application Paper.

		<p>to build and sustain closer, trust-based relations, founded on open communication' requiring "the use of formal and informal channels between supervisors, the whole Board, the Chair, and the chair of the key Board committees' and expressing that the "interaction should be "two-way with the supervisors contributing their views and suggestions on issues they think Board members should consider.'</p> <p>This discussion paper does not elaborate on the exact role a supervisor or supervision should play in respect of Board composition and the role of the Board, the extent in which supervision may have a positive effect on board functioning or does not have added value, or might even have a negative effect on board functioning (e.g. the risk that supervision in general or the way supervision is performed may have a detrimental effect on board functioning, leading to or exacerbating tick-the-box behaviour of boards in order to meet supervisory requirements and/or resulting in one-size-fits-all board models.</p> <ul style="list-style-type: none"> <li>- What are the expectations and effects of supervision board functioning and in particular on behaviour and culture;</li> <li>- Are these effects positive, neutral or negative and how can the effects be measured in an objective manner?</li> <li>- Are supervisory authorities adequately equipped to form an opinion on board functioning, on behaviour and culture?</li> </ul> <p>While we do agree and acknowledge that interaction with the supervisory authorities is a good thing in itself, contributing their views and suggestions on issues they think board members should consider, we see a risk as well: supervisors' views and suggestions are - rightly so - generally taken very seriously by insurers, potentially more serious than suggestions of other stakeholders. This might result in some boards or board members not questioning or challenging supervisory authorities' view and suggestions. Supervisory authorities' might "like' such behaviour, and perceive this as proper board functioning, although it lacks a healthy challenge/consideration of these views. Supervisors are not assigned to manage the company or co-manage the company, alongside the corporate bodies of the company and therefore, should not feel compelled to follow supervisory suggestions and views in all cases.</p> <p>Board functioning is a particularly delicate topic because it is typically more difficult, if not impossible, to determine if the functioning of a board is right or wrong. This</p>	
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		<p>also requires a different position with respect to supervisory tools and a more fundamental question, are the topics in the discussion paper a reason for supervisory intervention at all, or do these serve a more limited or indirect role (e.g. as early warning signals for potential breaches of regulatory requirements).</p> <p>A complicating factor in the supervision of board functioning is the supervisory task, compared to corporate bodies. Supervisory authorities are generally mandated by law to supervise specific interests: policyholder protection, the financial system, financial stability in particular. However, corporate bodies generally have to take into account a broader range of interests and other stakeholders. This means that there might be tension between the preferred board composition and role of the board from a supervisory perspective, and the preferences of the company.</p> <p>Furthermore, some of the elements in the discussion paper, specifically where comments are made with respect to the documentation of processes and procedures, minutes, it is not always clear if "documentation" serves a supervisory purpose (allowing the supervisor to supervise a certain process or procedure), if this is an indication of flaws in boards' role functioning. We feel that, while we agree in many companies, in particular, the larger companies, one would expect more formal and documented process and procedures, in some cases a more informal approach might be warranted as well.</p> <p>In the end, also in respect of the board composition and functioning there should be adequate recognition of the nature, scale and complexity of the business of insurers and of the risks to which they are exposed (life, non-life, retail, business, reinsurance, etc.), because insurers are very different in risk profile, diversification, size and business models. Thus, as in the EU Solvency II framework, the IAIS should set high-level corporate governance principles, with sufficient flexibility to adapt to the characteristics of each type of insurance activity and various forms of corporate structure (mainly stock companies, but also mutual and co-operative).</p> <p>Arthur van den Hurk and Michele Siri</p> <p>About the Authors</p> <p>Arthur van den Hurk is fellow of the Institute of Financial Law, Research Centre for</p>	
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			<p>Business and Law of the Faculty of Law, Radboud University of Nijmegen (The Netherlands). E-mail: a.vandenhurk@jur.ru.nl.</p> <p>Michele Siri is Jean Monnet Professor of European Union Financial and Insurance Markets Regulation, Department of Law, University of Genoa (Italy). E-mail: michele.siri@unige.it.</p> <p>References</p> <p>M. SIRI, Towards Effectiveness of the Rules on Corporate Governance for EU Insurance Firms, Oxford Business Law Blog, 09 April 2018, available at <a href="https://www.law.ox.ac.uk/business-law-blog/blog/2018/04/towards-effectiveness-rules-corporate-governance-eu-insurance-firms">https://www.law.ox.ac.uk/business-law-blog/blog/2018/04/towards-effectiveness-rules-corporate-governance-eu-insurance-firms</a>.</p> <p>M. SIRI, Corporate Governance of Insurance Firms after Solvency II, in Insurance Regulation in the European Union: Solvency II and Beyond, edited by P. Marano - M. Siri, Palgrave MacMillan, London, 2017, ISBN 9783319612157, p.129-177, available at <a href="https://www.palgrave.com/it/book/9783319612157">https://www.palgrave.com/it/book/9783319612157</a>.</p> <p>A. VAN DEN HURK - SIRI, Comparative Regulation of Corporate Governance in the Insurance Sector, forthcoming in Corporate Governance of Financial Institutions. Law, Conduct and Culture, edited by Danny Busch, Guido Ferrarini &amp; Gerard van Solinge, Oxford University Press, 2018.</p>	
9. General Insurance Association of Japan	Japan	No	<p>We, the General Insurance Association of Japan, are grateful for this opportunity to comment on the Draft Application Paper on the Composition and the Role of the Board (hereinafter referred to as "AP").</p> <p>We understand that the AP aims to provide additional material including actual examples or case studies to help with the practical interpretation and application of ICP 5 (Suitability of Persons) and ICP 7 (Corporate Governance) and not to set new requirements nor recommend a particular structure or measures over others as long as they are on an equal footing with regards to their effectiveness. However, we would like to have a reconfirmation on these points. Also, through our</p>	<p>As regards proportionality, see response to the last part of comment 2.</p> <p>"Should" is commonly used across IAIS materials as an indication of guidance – not a requirement. Its use in the Application Paper indicates a good practice.</p>

			<p>comments, we intend to make clearer references to these points.</p> <p>We would like this AP to provide a reference to "proportionality". ICP 7.0.31 and 7.0.42 refer to variations in insurer's corporate governance structures and flexibility in their supervision. We believe they apply to the composition and the role of the Board. Also, the ICP "Introduction" published for consultation in March 2017 and endorsed in November the same year, takes up "proportionality" in paragraph 9. Some other APs provide specific reference to "proportionality" as well. We believe that adding a reference to "proportionality" is in line with the intention of the ICP and will serve to clarify its position as an AP.</p> <p>1 "The ways in which an insurer chooses to organise and structure itself can vary depending on a number of factors"? "It is important for supervisors to understand these different considerations in order to be able to adequately assess the effectiveness of an insurer's corporate governance framework."</p> <p>2 "The standards on corporate governance are designed with sufficient flexibility to apply to supervision of insurers regardless of any differences in the corporate structures and legal systems."</p> <p>We also note that the AP contains phrases and expressions which are somewhat too prescriptive. In particular, "should" is often used in sentences where "may" is more appropriate. Such sentences in the following paragraphs should be amended accordingly: 17, 21, 22, 27, 29, 44, 47, 48, 51, 52, 56, 60, 63, 65, 66, 67, 70, 71, 74, 79, 81, 84, 85, and 88.</p>	
10. ICMIF	UK	No	<p>ICMIF welcomes the opportunity to share some general comments on the draft application paper on the Composition and Role of the Board.</p> <p>We agree with the introductory statement of the Paper, i.e. that the effectiveness of the Board is pivotal to an insurer's long term success and sustainability.</p> <p>Board effectiveness is a challenge that goes far beyond judging structural elements such as Board composition and the definitions of roles and responsibilities. A key driver lies in Board dynamics, where independence (of mind) and professionalism play a crucial role.</p>	Noted. See responses to previous general comments.

			<p>Whilst we recognise the importance of both formal and behavioural aspects in a well-functioning Board, we note that all proposals are based on a potentially increased possibility for the supervisor to interfere in the functioning of the Board in order to verify that the above principles are respected.</p> <p>These go far beyond the supervisor's role and ability. We firmly believe that supervisors should concentrate on the formal aspects and leave undertakings to determine how their business, including functioning of the Board, is being run. This view is underpinned by national corporate legislation in which the Board has a certain status, duties and rights. In a corporate context the Board is appointed by the owners of an undertaking; its main purpose is therefore to make sure that the company is being run according to the owners and member-policyholders' interest. The challenges and risks in the functioning of the Board are of general nature and applicable to all companies in all sectors, and are not specific to insurance. Jurisdictions have mechanisms to address these challenges - mainly resorting to corporate law and corporate governance practices. We thus fail to understand why a supervisor should intervene in a Board's functioning even when no requirements are being infringed. In other words, if an undertaking meets its regulatory obligations we suggest that the supervisory focus should be on the result, not on the way business is conducted. -</p> <p>We deplore the absence of any mention of the proportionality principle in the document, which in our opinion, should take into account the nature, scale and complexity of the institution's activities for the assessment of adequate knowledge, skills and experience of the Board.</p> <p>Lastly, we believe that some measures contained in this draft Application Paper (ex- ante interviews, individual and collective suitability, minimum number of independent directors) would require a legislative and regulatory basis, which most certainly do not currently exist in a number of jurisdictions and would not be realistic or appropriate.</p>	
12. PCI	United States	No	<p>These comments are submitted on behalf of the American Council of Life Insurers, American Insurance Association, National Association of Mutual Insurance Companies, Property Casualty Insurers Association of America, and Reinsurance Association of America.</p> <p>The U.S. insurance trade associations appreciate the opportunity to comment.</p>	See responses to previous general comments.

		<p>Unfortunately, there are many aspects of the Application Paper that are unnecessarily intrusive. In addition, the Application Paper fails to adequately recognize and respect critically important jurisdictional differences. This is especially the case of the differences between the law of a large and time- tested market, the U.S., and many of the provisions of the application paper.</p> <p>The trade associations appreciate the comments of the chairperson during the introductory stakeholder call, and recommend that the substance of those comments be included in the paper. In part, they were to the effect that this Application Paper presents a toolbox for supervisors to consider using with respect to particular circumstances and companies as needed and appropriate. We understand that to mean that there is no suggestion that any or all of the tools must be used, and that should be clarified in the Application paper.</p> <p>Below are some additional general comments:</p> <ul style="list-style-type: none"> <li>- Applying some of the tools would be so intrusive as to blur the line between the role of the supervisor and the role of the insurer's management and Board of Directors, to the detriment of both.</li> <li>- The Application Paper should also make clear that a more intrusive approach might be justified for a company in receivership or liquidation, but not for a financially sound company with good management.</li> <li>- There are a number of places where the word "should" is used in the Application Paper. Again, based on the call, we think that was not intended, so in all cases "may" should replace "should".</li> <li>- In particular, the attendance of supervisory staff in Board meetings is inappropriate, unless it follows the explicit invitation from the insurer.</li> <li>- There is a lack of methodology and objective criteria relating to supervisory verification of the appropriateness of Board functions, as well as a lack of objective reference for proportional application (e.g., ceiling versus floor).</li> <li>- The Application Paper does not adequately distinguish between the functioning of Boards at the entity level operating in a single jurisdiction as opposed to Boards at the group and/or holding company level operating across multiple jurisdictions.</li> <li>- It also appears to be silent on the role of the insurance supervisor versus public company authorities as to composition and role of the Board. This could be addressed by adding a preamble that clarifies the role of each and states that supervisors should defer to the laws and regulations of their local jurisdiction.</li> <li>- In at least one major jurisdiction's legal system, such intrusive involvement in the</li> </ul>	
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			<p>Board's functioning, such as permitting attendance at Board meetings, could lead to legal exposure for supervisors deemed to have acquiesced to, participated in, or led deliberations and decisions that subsequently prove to be problematic.</p> <ul style="list-style-type: none"> <li>- The line between regulatory oversight of Boards and Board intrusion would be blurred since supervisors would be able to: contribute their views and suggestions on issues they think the Board should consider; conduct interviews with all Board members to ascertain the Board decision-making process; and attend Board meetings as an observer and review agendas and minutes (or have a third-party behavioral expert attend).</li> </ul> <p>The U.S. insurance trade associations appreciate the opportunity to comment. Unfortunately, there are many aspects of the Application Paper that are unnecessarily intrusive. In addition, the Application Paper fails to adequately recognize and respect critically important jurisdictional differences. This is especially the case of the differences between the law of a large and time- tested market, the U.S., and many of the provisions of the application paper.</p> <p>The trade associations appreciate the comments of the chairperson during the introductory stakeholder call, and recommend that the substance of those comments be included in the paper. In part, they were to the effect that this Application Paper presents a toolbox for supervisors to consider using with respect to particular circumstances and companies as needed and appropriate. We understand that to mean that there is no suggestion that any or all of the tools must be used, and that should be clarified in the Application paper.</p> <p>Below are some additional general comments:</p> <ul style="list-style-type: none"> <li>- Applying some of the tools would be so intrusive as to blur the line between the role of the supervisor and the role of the insurer's management and Board of Directors, to the detriment of both.</li> <li>- The Application Paper should also make clear that a more intrusive approach might be justified for a company in receivership or liquidation, but not for a financially sound company with good management.</li> <li>- There are a number of places where the word "should" is used in the Application Paper. Again, based on the call, we think that was not intended, so in all cases "may" should replace "should".</li> <li>- In particular, the attendance of supervisory staff in Board meetings is inappropriate, unless it follows the explicit invitation from the insurer.</li> <li>- There is a lack of methodology and objective criteria relating to supervisory</li> </ul>	
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			<p>verification of the appropriateness of Board functions, as well as a lack of objective reference for proportional application (e.g., ceiling versus floor).</p> <ul style="list-style-type: none"> <li>- The Application Paper does not adequately distinguish between the functioning of Boards at the entity level operating in a single jurisdiction as opposed to Boards at the group and/or holding company level operating across multiple jurisdictions.</li> <li>- It also appears to be silent on the role of the insurance supervisor versus public company authorities as to composition and role of the Board. This could be addressed by adding a preamble that clarifies the role of each and states that supervisors should defer to the laws and regulations of their local jurisdiction.</li> <li>- In at least one major jurisdiction's legal system, such intrusive involvement in the Board's functioning, such as permitting attendance at Board meetings, could lead to legal exposure for supervisors deemed to have acquiesced to, participated in, or led deliberations and decisions that subsequently prove to be problematic.</li> <li>- The line between regulatory oversight of Boards and Board intrusion would be blurred since supervisors would be able to: contribute their views and suggestions on issues they think the Board should consider; conduct interviews with all Board members to ascertain the Board decision-making process; and attend Board meetings as an observer and review agendas and minutes (or have a third-party behavioral expert attend).</li> <li>- Supervisor contact with the Board should be as a whole, or with the Chair/Lead Director on behalf of the Board, and on a formal basis or in writing to ensure appropriate records are taken and clear audit trails.</li> <li>- In the Application Paper, supervisors would be allowed to suggest how a Board should be organizing itself and documenting Board processes and procedures. Such suggestions would include: requesting Boards to establish a nomination policy or committee; challenging the number of Board members; reviewing the amount of onboarding/training; directing internal audit activity on Board versus management roles; and instructing that the Chair or CEO should not be a member of a committee. These items should all be within the purview of the Board itself without regulatory interference.</li> <li>- The Application Paper also suggests that supervisors can have a voice on the Board nominees and the ability to interview candidates for Chair prior to election. This is one of the most troubling aspects of the supervisory overreach and of the blurring of the appropriate line between the supervisor and the supervised company.</li> <li>- Supervisors would also be allowed access to internal audits and board evaluations/self-assessments. However, such access could chill candid feedback</li> </ul>	
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			<p>on Board self-evaluations and in any case should only be permitted when there is a legitimate suspicion of wrongdoing. Access to these documents by supervisors differs by jurisdiction and that should be recognized.</p> <ul style="list-style-type: none"> <li>- Supervisors would be able to weigh in on the adequacy of a Board's minutes, including conducting "interviews with Board members to validate and corroborate that the minutes are an accurate reflection of the Board discussions and decision-making". Such supervisory activities would be overly intrusive, and there is no single standard on the adequacy of minutes.</li> <li>- A key over-all concern is to what extent would the regulatory intervention in an insurer's governance as proposed by the paper, interfere with the rights of shareholders, who elect and can remove the Board members.</li> </ul>	
13. Cincinnati Insurance Company	United States of America	No	<p>The IAIS re-enters the field of insurer board governance with its "Draft Application Paper on the Composition and the Role of the Board." The IAIS claims that the objectives of this Draft Application Paper are to 1) address the need for more "proactive supervision" and "assessments" of insurer board performance; 2) develop proposals to ensure that the "formal aspects" of an insurer board are "effective," such as competence, composition, allocation and delegation of responsibilities; and 3) develop proposals to ensure that the "behavioural aspects" of an insurer board are "effective," such as dominance and too much influence, skills to challenge and to cooperate, capacity for change and openness to diversity. In submitting this Draft Application Paper for worldwide review and comment, the IAIS explains that the aforementioned topics are meant to help with the "practical interpretation and application of selected standards and guidance" in ICP 5 (Suitability of Persons) and ICP 7 (Corporate Governance). As we have stated many times in similar sets of consultation comments, our company does not believe that the world needs a set of Insurance Core Principles (ICPs) and objects to the program under which the International Monetary Fund (IMF) grades the U.S. insurance regulatory system on its compliance with the ICPs. The core principles upon which the U.S. insurance regulatory system is premised have functioned perfectly for over 150 years and do not need an overhaul by the International Association of Insurance Supervisors (IAIS) or by its ostensible parent organization, the Financial Stability Board (FSB). Therefore, we object to the IAIS conducting any work which may help with the "practical interpretation and application of selected standards and guidance" in ICP 5 (Suitability of Persons) and ICP 7 (Corporate Governance), and would therefore suggest that the IAIS withdraw the Draft Application Paper. There is no need for the IAIS to craft a new international</p>	Noted.

			insurance code on insurance board governance. The U.S. and other regulatory regimes are capable of handling these issues themselves. Given the substance of this comment (the Draft Application Paper on the Composition and the Role of the Board should be withdrawn), we see no need to answer Q2 through Q103.	
14. Liberty Mutual Insurance Group	USA	No	<p>The current Draft Application Paper on the Composition and Role of the Board (the "Application Paper") could be improved by addressing two significant areas of weakness in draft:</p> <p>First, the Application Paper envisions a board of directors that is much more directly engaged in the day-to-day operations of an insurer than is typically the case in the U.S. In so doing the Application Paper usurps the proper role of management that is reflected in customary American corporate practices, as well as statutory and common law. The Application Paper must respect this distinction, because it encourages Boards in the independent exercise of their duties of corporate oversight and strategy setting. Similarly, this distinction supports the efforts of management to focus on effective execution of the plan for a company that its board has set.</p> <p>Second, the paper envisions a much more proactive and intrusive role by supervisors in evaluating the daily performance and suitability of a board or its individual members than typically occurs in the U.S. or than is even permissible under U.S. laws authorizing supervision of the insurance industry.</p> <p>This is not appropriate in many of the instances discussed in the Application Paper, such as particularly in the Application Paper's discussion of the organizational behavior of a Board. Unless such behavioral factors result in objectively observable adverse consequences to a company, supervisors should have no authority or role in officiating how a Board and its members act. Such an intrusion could, in fact, cause disruption and damage to a company.</p> <p>An example of the manner in which the Application Paper improperly expects a Board to be directly engaged in an insurer's business is a provision that says that to be effective a Board "meets its regulatory obligations, is open and proactively engages the supervisor ..." and that "it is critical the board of an insurer and its supervisor [have] relations founded on open communication" (see Paragraphs 5 and 6). It is very uncommon in the U.S. for the board of an insurance company to</p>	<p>The content of the Application Paper is based on the roles and responsibilities of the Board, as described in ICP 7 Corporate Governance. Please refer to ICP 7 for further details. The IAIS does not advocate for any specific model of corporate governance.</p> <p>See responses to previous general comments, as regards the nature of the Application Paper and application of good practices suggested in this Application Paper.</p>

			<p>deal directly with the company's regulators, as that is the responsibility of management.</p> <p>Examples of areas in which the Application Paper expects supervisors to be actively involved in the composition of an insurer's board that are well beyond existing U.S. practice and supervisory legal authority include in connection with the recruitment of new members (Section 2.1), the competence of a board's members (Section 3.1), the workings of the board (e.g., requiring the board to have a formal "delegation policy" in Section 5.1), and, as noted above, particularly in the "behavioral aspects of the Board" (Section 9). The behavioral aspects discussion includes the notion that supervisors would observe board meetings to assess the social engagement and behavior of the board collectively and board members individually. Such direct participation, even as an observer, in a company's board is uncalled for in the absence of a crisis at the company threatening policyholder protection. As a result, it is only in exceptional circumstances that U.S. supervisors deal directly with corporate boards.</p> <p>One other area of concern for Liberty Mutual is the criticism in the Application Paper of Boards consisting entirely of insiders. While this may be an appropriate point to make regarding the boards of insurance holding companies, the opposite is true with respect to boards of downstream operating units. When the boards of such entities include outside or independent members, there is a risk that an organization will not have consistent business policies across the organization related to matters such as risk management, investment policy, corporate governance and similar topics which in other guidance (such as ComFrame) the IAIS stresses should be uniform within an insurance group. It is not clear that the purported benefits of outside or independent board membership outweigh the risks of inconsistent implementation of group-wide policies.</p> <p>The IAIS must re-evaluate the proposed Application Paper by focusing on the need for practicality and flexibility in order to recognize jurisdictional differences stemming from culture, tradition, and related legal approaches to corporate governance.</p>	
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**Q2 General comments on Section 1: Introduction**

15. Association of Bermuda Insurers and Reinsurers	Bermuda	No	Overall, ABIR supports the IAIS in the development of guidance for supervisors to improve the effectiveness of the supervision of the Board. However, the application paper contains recommendations that appear to be overly prescriptive in certain areas. We recommend the IAIS consider proportionality in this area as they have done effectively in other areas.	As regards proportionality, see response to the last part of comment 2.
16. ICMIF	UK	No	In its introduction, the IAIS takes the precaution of stressing that the governance of an undertaking can be influenced by the structure of the organisation, such as its legal statute, and that some of the challenges or proposed supervisory responses depend on a number of factors and specific characteristics applied to a particular case. We welcome this recognition that each case is particular and that there should not be a general opinion based on corporate structure. Yet we note that the recommendations contained in the draft Application Paper do not include any differentiation between organisations and the analysis conducted only consider the public limited company model.	Noted. The IAIS does not advocate for any specific model of corporate governance.
17. PCI	United States	No	See the above general comments.	Noted.
<b>Q3 Comment on Paragraph 1</b>				
<b>Q4 Comment on Paragraph 2</b>				
18. Insurance Europe	Europe	No	In the context of the overall ComFrame review and introduction of the IAIG-relevant requirements into ICPs 5 and 7, it would be useful to clarify whether the proposed material should be applied in the supervision of non-IAIGs only, or in implementing the governance regime applicable for IAIGs as well as non-IAIGs.	The Application Paper is applicable to supervision of insurers, including insurance legal entities and insurance groups (including IAIGs).
19. Global Federation of Insurance Associations	Global	No	In the context of the overall ComFrame review and introduction of the IAIG-relevant requirements into ICPs 5 and 7, it would be useful to clarify whether the proposed material should be applied in the supervision of non-IAIGs only, or in implementing the governance regime applicable for IAIGs as well as non-IAIGs.	See response to comment 18.
<b>Q5 Comment on Paragraph 3</b>				

20. Insurance Europe	Europe	No	Insurance Europe appreciates the recognition in this paragraph of different types of Board and corporate structure.	Noted.
21. Global Federation of Insurance Associations	Global	No	GFIA appreciates the recognition in this paragraph of different types of Board and corporate structure.	Noted.
22. AIA Group	Hong Kong	No	It is essential to note that the nature, scale and complexity of an insurer should be taken into consideration in determining composition and role of a board. It is also essential to note whether there may be group governance structures in place that supplement subsidiary companies within a broader governance framework which acts as a second layer of governance. While there may be a group level board, we must not forget that this is an additional layer of governance supplementing the board of the local subsidiary which may in itself contribute a broad amount of diversity when the entire governance structure is considered. This should be recognised when reading the application paper.	Noted.
23. ICMIF	UK	No	<p>While we welcome the acknowledgement that stock companies, mutual and cooperative insurers have distinctive features that may justify slightly different governance practices, we do not find any useful reference to these and their supervisory response in the paper (apart from one, in para. 15, which will comment on then).</p> <p>In fact, without explicit reference to it, the last sentence suggests that resorting to some proportionality is called for. We suggest it should be rephrased to make it clearer that the "one size fits all" model does not work.</p> <p>We believe the document should have a separate paragraph dedicated to proportionality. The excerpts below are from the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders These Guidelines aim to harmonise and improve suitability assessments within EU financial sectors, and to ensure sound governance arrangements in financial institutions in line with the Capital Requirements Directive (CRD IV) and the Markets in Financial Instruments Directive (MiFID II). The Guidelines highlight the importance for institutions to consider whether candidates have the knowledge, qualification and skills necessary to safeguard proper and prudent management of the institution. The Guidelines also foster more diverse management bodies and, therefore, contribute to improved risk oversight and resilience of institutions.</p>	See response to the last part of comment 2.

			<p>The joint Guidelines are applicable since 30 June 2018 to competent authorities across the EU, as well as to institutions on an individual and consolidated basis</p> <p>Title I - Application of the proportionality principle</p> <p>20. The proportionality principle aims to match governance arrangements consistently with the individual risk profile and business model of the institution and takes into account the individual position for which an assessment is made so that the objectives of the regulatory requirements are effectively achieved. Institutions should take into account their size, internal organisation and the nature, scale, and complexity of their activities when developing and implementing policies and processes set out in these Guidelines. Significant institutions should have more sophisticated policies and processes, while in particular small and less complex institutions may implement simpler policies and processes. Those policies and processes should, however, ensure compliance with the criteria specified in these Guidelines to assess the suitability of members of the management body and key function holders and the requirements to take diversity into account when recruiting members to the management body and to provide sufficient resources for their induction and training.</p> <p>While we welcome the acknowledgement that stock companies, mutual and cooperative insurers have distinctive features that may justify slightly different governance practices, we do not find any useful reference to these and their supervisory response in the paper (apart from one, in para. 15, which will comment on them).</p> <p>In fact, without explicit reference to it, the last sentence suggests that resorting to some proportionality is called for. We suggest it should be rephrased to make it clearer that the "one size fits all" model does not work.</p> <p>We believe the document should have a separate paragraph dedicated to proportionality. The excerpts below are from the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders. These Guidelines aim to harmonise and improve suitability assessments within EU financial sectors, and to ensure sound governance arrangements in financial institutions in line with the Capital Requirements Directive (CRD IV) and the Markets in Financial Instruments Directive (MiFID II). The Guidelines highlight the importance for institutions to consider whether candidates have the knowledge, qualification and skills necessary to safeguard proper and prudent management of the institution. The Guidelines also foster more diverse management bodies and, therefore, contribute to improved risk oversight and</p>	
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		<p>resilience of institutions. The joint Guidelines are applicable since 30 June 2018 to competent authorities across the EU, as well as to institutions on an individual and consolidated basis.</p> <p>Title I - Application of the proportionality principle</p> <p>20. The proportionality principle aims to match governance arrangements consistently with the individual risk profile and business model of the institution and takes into account the individual position for which an assessment is made so that the objectives of the regulatory requirements are effectively achieved. Institutions should take into account their size, internal organisation and the nature, scale, and complexity of their activities when developing and implementing policies and processes set out in these Guidelines. Significant institutions should have more sophisticated policies and processes, while in particular small and less complex institutions may implement simpler policies and processes. Those policies and processes should, however, ensure compliance with the criteria specified in these Guidelines to assess the suitability of members of the management body and key function holders and the requirements to take diversity into account when recruiting members to the management body and to provide sufficient resources for their induction and training.</p> <p>All members of the management body and key function holders should, in any event, be of good repute and have honesty and integrity, and all members of the management body should have independence of mind regardless of the institution's size, internal organisation and the nature, scope and complexity of its activities and the duties and responsibilities of the specific position, including memberships held in committees of the management body.</p> <p>23. For the purpose of applying the principle of proportionality and in order to ensure the appropriate implementation of the governance requirements of Directive 2013/36/EU and Directive 2014/65/EU which the Guidelines further specify, the following criteria should be taken into account by institutions and competent authorities:</p> <ul style="list-style-type: none"> <li>a. the size of the institution in terms of the balance sheet total, the client assets held or managed, and/or the volume of transactions processed by the institution or its subsidiaries within the scope of prudential consolidation;</li> <li>b. the legal form of the institution, including whether or not the institution is part of a</li> </ul>	
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<b>Q6 Comment on Paragraph 4</b>				
24. Insurance Europe	Europe	No	While Insurance Europe is generally supportive of this paragraph's introductory content and of the overall procedures to clearly remain in the hands of the Board, it is not clear what is meant by the very last sentence, ie "whether or not its own dynamics and culture pose any particular risks to the organisation". A clarification or reference to the relevant later sections of the application paper would be helpful.	The sentence intends to reflect the fact that the functioning of the entire insurer can be influenced by the organisation and culture of the Board. Therefore, the Board should consider whether negative aspects of its functioning have a detrimental impact on the rest of the insurer.
25. Global Federation of Insurance Associations	Global	No	While GFIA would generally be supportive of this paragraph's introductory content and of the overall procedures to clearly remain in the hands of the Board, it is not clear what is meant by the very last sentence, ie "whether or not its own dynamics and culture pose any particular risks to the organisation". A clarification or reference to the relevant later sections of the application paper would be helpful.	See response to comment 24.
<b>Q7 Comment on Paragraph 5</b>				
26. Global Federation of	Global	No	An effective Board should be measured by whether an insurer meets its regulatory, policyholder and shareholder/member obligations.	Noted.

Insurance Associations				
27. PCI	United States	No	An effective Board should only be measured by whether an insurer meets its regulatory, policyholder and shareholder/member obligations.	Noted.
<b>Q8 Comment on Paragraph 6</b>				
28. Insurance Europe	Europe	No	Communication ensures transparency and is positive for all stakeholders involved. However, the process of running the company and its supervision must not overlap. The Board is responsible for making the Board decisions. Supervisor should not intrude into the decision-making. The Board's responsibility should not be undermined.	The IAIS agrees that the process of running the insurer and its supervision must not overlap. The Application Paper does not suggest otherwise.
29. Global Federation of Insurance Associations	Global	No	Communication ensures transparency and is positive for all stakeholders involved. Two-way communication between the Board and the supervisor should be encouraged, however, supervisors should not overly intrude or intervene on a Board's ability to independently oversee the company and make business decisions.	The IAIS agrees with that. The Application Paper does not suggest otherwise.
30. Institute of International Finance	Global	No	Suggest the following edits:  "This requires Use of formal (delete "and informal") channels between supervisors, the whole Board, or the Chair on behalf of the Board and the chairs of key Board committees (add "is recommended.")"	Not agreed. Informal channels should be understood as direct and less formalised, but still in compliance with applicable rules and requirements.
31. ICMIF	UK	No	The draft Application Paper notes the importance of a relation based on trust between the Board of an insurer and its supervisor. The IAIS recommendations will appear all the more acceptable if they are practised in this spirit, however the behaviour of certain supervisory authorities' teams that have come to our attention make us question this statement. We therefore welcome the recognition that the relationship should be two-way and suggest adding to the end of the sentence "The interaction should be two-way with supervisors contributing their views and suggestions on issues they think Board members should consider, and listening to the Board members."	This aspect has already been captured sufficiently in other parts of the Application Paper.

33. PCI	United States	No	Two-way communication between the Board and the supervisor should be encouraged, however, supervisors should not overly intrude into a Board's ability to independently oversee the company and make business decisions.	See responses to comments 28 and 29.
<b>Q9 Comment on Paragraph 7</b>				
<b>Q10 Comment on Paragraph 8</b>				
<b>Q11 General comments on Section 2: Competence of individual Board members</b>				
34. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	There appears to be a fair degree of overlap between sections on collective suitability of the board (2.2 - 2.3) and diversity of competencies of the board (3.1). Suggest trying to combine or otherwise reduce the overlap for a more streamlined paper.	While these subsections mentions the same tools, the Application Paper refers to them in the context of different problems.
<b>Q12 Comment on Paragraph 9</b>				
35. Insurance Europe	Europe	No	Considering the referenced (current) wording of ICP 5.2 (ie "The supervisor requires that in order to be suitable to fulfil their roles, Board Members (individually and collectively) [...] possess competence and integrity.") the notion elaborated on in paragraph 10 should also be clarified at ICP guidance level.	Noted.
36. Global Federation of Insurance Associations	Global	No	Considering the referenced (current) wording of ICP 5.2 - ie "The supervisor requires that in order to be suitable to fulfil their roles, Board Members (individually and collectively) [...] possess competence and integrity" - the notion elaborated on in paragraph 10 should also be clarified at ICP guidance level.	Noted.
37. AIA Group	Hong Kong	No	Similar to the comment in paragraph 3, we suggest that all members of the relevant boards under the governance structure be taken into consideration in determining whether there is an appropriate number and mix of individuals. We suggest that it is also important to take into consideration that there may be other requirements other than those required by insurance supervisors that an insurer must comply with. For example, a listed insurer would necessarily have to comply with the listing requirements of a specific jurisdiction and often times this will include specific requirements on the competence and experience of directors, which in fact may be higher than those required by insurance supervisors. We suggest that it is important that regulators should try to minimise conflicts with other supervisory requirements.	The IAIS recognises that Boards may be structured in various ways depending on, among other things, jurisdictional corporate law and that supervisors need to comply with relevant national law.

Q13 Comment on Paragraph 10				
Q14 Comment on Paragraph 11				
Q15 Comment on Paragraph 12				
39. GDV - German Insurance Association	Germany	No	It should be clarified that the creation of a "nomination committee" would be the responsibility of the Supervisory Board in a dualistic corporate structure.	Not agreed. Such a clarification is not necessary. The supervisory practices suggested in the Application Paper should be applied according to jurisdictional corporate law in any case.
40. AIA Group	Hong Kong	No	While we agree that a formal Board approved nomination policy and/or a nomination committee may be created for the recruitment process in certain circumstances, it does not mean that it is necessary to have a nomination policy or nomination committee in place in all circumstances. This would not be necessary if there are already measures to take into consideration Board composition, the fitness and propriety of directors and any other supervisory concerns.	Noted. This paragraph describes possible supervisory tools to address a problem of an informal or undocumented recruitment process. It is up to supervisors to decide whether and how to apply good practices described in this Application Paper, depending on a particular case.
41. ICMIF	UK	No	In a mutual or cooperative insurance undertaking, the appointment process of a Board member is elective and so, at least at this stage, members are not recruited. It may be worth noting that in the European Union, the Solvency II directive already imposes a formal process of documentation and information for the supervisor, as to the competence and individual honourability of each member of the Board of Directors, which was the subject of extensive negotiations before its effective implementation, particularly with regard to elected mutualists. It also imposes ad-hoc training programmes.	"Recruitment" has been replaced with "selection" and additional explanation has been added in a footnote.
Q16 Comment on Paragraph 13				
42. Insurance Europe	Europe	No	Insurance Europe believes that - subject to full compliance with the regulatory criteria on fitness and propriety - it should remain a business decision who is appointed as a member of the Board. The following sentence could, however, indicate that the role of the supervisor in the selection process may go beyond	The sentence has been amended to clarify the subject of the discussion.

			<p>ensuring that the ultimate choice ensures the undertaking's compliance with the governance standards applicable:</p> <p>"Those documents may provide together a useful basis for a discussion between the supervisor and the insurer."</p>	
43. GDV - German Insurance Association	Germany	No	<p>The application paper proposes in Paragraph13 that the supervisor (within a reasonable time after the appointment) should be able to ask for the CVs of all newly elected members of the Executive Board, the documentation of the selection, the letter of requirements and the succession planning. Creating a job profile and submitting CVs is already common practice. A downstream review, as proposed, does not serve a comprehensive regulatory purpose. Moreover, it remains unclear what a "succession plan" should include, let alone that we do not see a legal foundation for such a requirement. In any case, it is disproportionate to request succession plans from all undertakings irrespective of their size and organization.</p>	<p>This paragraph suggests possible supervisory tools to address a problem of an informal or undocumented recruitment process. Supervisors should apply suggested supervisory practices as needed and relevant.</p>
44. Global Federation of Insurance Associations	Global	No	<p>GFIA is of the view that - subject to full compliance with the applicable regulatory criteria on fitness and propriety - it should remain a business decision who is appointed as a member of the Board. The following sentence could, however, indicate that the role of the supervisor in the selection process may go beyond ensuring that the ultimate choice ensures the undertaking's compliance with the governance standards applicable: "Those documents may provide together a useful basis for a discussion between the supervisor and the insurer."</p>	<p>See response to comment 42.</p>
45. ICMIF	UK	No	<p>Our members feel strongly that the recruitment process of Board members should be left solely to the undertaking. This process is organised according to a jurisdiction's corporate legislation and corporate governance principles and the Board is primarily a body representing the owners and member-policyholders' interests. In a mutual or cooperative insurance company, the owners can be the policyholders. The scope of the supervisory control should be restricted to regulatory requirements such as the role, composition, fit &amp; propriety, reporting etc.</p>	<p>Having a formal and documented recruitment process may be necessary to enable supervisors to discharge their responsibilities related to supervision of suitability of the Board members and supervision of an overall level of Board competence.</p>
46. PCI	United States	No	<p>The trade associations believe who is appointed as a member of the Board, is the sole province of the insurer. The following sentence could, however, indicate that the role of the supervisor in the selection process may go beyond ensuring that the ultimate choice ensures the undertaking's compliance with the governance standards applicable:</p>	<p>See response to comment 42.</p>

			"Those documents may provide together a useful basis for a discussion between the supervisor and the insurer."	
<b>Q17 Comment on Paragraph 14</b>				
47. Insurance Europe	Europe	No	Insurance Europe believes that IAIS should avoid overly detailed theoretical approaches as they would not guarantee success, may provide false comfort and may lead to Board compositions that are not functional in practice.	Not agreed. It is not clear why the use of a composition grid may lead to a Board composition that is not functional in practice.
48. GDV - German Insurance Association	Germany	No	The proposals set out in Paragraphs 14 and 15 would result in a further standardization of conducting the application process by the (Supervisory) Board. We do not see a regulatory benefit to impose detailed formal requirements here. In contrast, it should rest with the responsibility of the (Supervisory) Board to orchestrate the process in line with the regulatory requirements on the suitability of Board members.	Not agreed. This paragraph suggests possible supervisory tools to address a problem of the Board which is not suitable collectively.
49. Global Federation of Insurance Associations	Global	No	GFIA takes the view that IAIS should avoid overly detailed theoretical approaches as they would not guarantee success, may provide false comfort and may lead to Board compositions that are not functional in practice.	See response to comment 47.
50. Institute of International Finance	Global	No	It is worth noting that, especially with respect to non-employee directors, it may not be useful or efficient to identify candidates well in advance of an opening on the board. Candidates' circumstances may change, as will board composition, often making it difficult to know who will be interested and available in joining a board and what particular skills and background will be needed well in advance of a board position opening up. As such, Board succession plans and composition grids may provide only limited value and applicability in terms of improving the Board's collective suitability.	Not agreed. The succession plans and composition grids have been recognised by some supervisors as useful tools in assessing an overall adequate level of competence at the Board level.
51. AIA Group	Hong Kong	No	It is not evident how a supervisor may evaluate and benchmark before concluding a Board is not "suitable collectively". There should be some reasonable measure against which action can be taken otherwise the requirement seems overly arbitrary. Moreover, it does not seem appropriate to use the same assessment for all insurers.	The assessment should be performed by the supervisor, taking into account all relevant factors.

				Please see guidance supporting this ICP standard 7.3, regarding Board composition, for further details.
52. ICMIF	UK	No	The appendix provides a board composition grid for the individual assessment of directors with regard to certain capacities, particularly in relation to the four key functions but also the specialised committees. In our view, this table provides an exclusive approach to a Board member's abilities / skills and could lead supervisors to a restrictive analysis of individual and collective skills at the expense of a more global approach. We understand this is meant to ensure the Board's effectiveness which, as per the introduction and section 3, should assist in developing a collective vision of the insurer's purpose, its culture, its values and the behaviours it wishes to promote in conducting its business. We however think that such a grid could lead to a stigmatisation of certain directors whose main skills are different.	Not agreed. The composition grids referred in both annexes 1 and 2 are examples, as mentioned in section 2.2 of the Application Paper. Other criteria, as it may be judged appropriate, could be added to the grid. Using other tools or approaches is also possible.
54. PCI	United States	No	Especially with regard to non-employee directors, it may not be useful or efficient to identify them in advance of an opening, as their availability may have changed in the interim.	Noted.
<b>Q18 Comment on Paragraph 15</b>				
55. Insurance Europe	Europe	No	The wording of the example "In certain cases, it could be an opportunity for the supervisor to encourage more competent members to be appointed to the Board" is not ideal in Insurance Europe's view. It enables bad supervisory practices focused on manipulating the composition of the Board. Supervisors should refrain from this.	This is manipulating the composition of the Board, but taking an opportunity to address a lack of collective suitability. The wording has been slightly revised to make it clear.
56. Global Federation of Insurance Associations	Global	No	The wording of the example "In certain cases, it could be an opportunity for the supervisor to encourage more competent members to be appointed to the Board" is not ideal. It enables bad supervisory practices focused on manipulating the composition of the Board. Supervisors should refrain from this. The number of Board members should further be a decision made by the company, not by the supervisor.	See resolution of comment 55.
57. AIA Group	Hong Kong	No	It would be helpful for insurers to agree with supervisors on certain minimum standards, if possible, on the adequacy of the number of members on the Board.	Noted.

			This will help avoid situations where challenges may seem to be requested arbitrarily by supervisors.	
58. ICMIF	UK	No	<p>As referred to in the comments to para. 3, the only mention of the mutual structure is done in a negative way, suggesting that mutual Boards have too many members or have a deficit in competent members. Board members of mutual or cooperative insurance companies, especially local ones, require knowledge of the needs of their members/policyholders, which may not be taken into account by supervisors with insufficient knowledge of the sector.</p> <p>Moreover, we do not agree that every individual Board member has to be highly competent in all fields. Within the EU, the requirement is for the Board as a whole to have the necessary skills and competence to deliver their responsibilities and accountabilities. This means, a 'keen novice' or the first time Board member should not be automatically turned down. Indeed if every single Board member has to be highly experienced, that would undermine attempts at (gender) diversity or renewal, as you would continuously go back to the same pool of Board members.</p>	<p>Not agreed that the mutuals are mentioned only in a negative way. In some cases the Application Paper simply points out a particularity for mutuals. See for example comment 41.</p> <p>This part of the Application Paper addresses the collective suitability. However, in general the Board members need to be suitable individually and collectively. Individual suitability does not mean that each Board member needs to be an expert in all topics.</p>
59. PCI	United States	No	The number of Board members should be a decision made by the company, not by the supervisor.	The paragraph does not suggest that the supervisor should decide about the number of the Board members.
<b>Q19 Comment on Paragraph 16</b>				
<b>Q20 Comment on Paragraph 17</b>				
60. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
<b>Q21 Comment on Paragraph 18</b>				
61. AIA Group	Hong Kong	No	The application paper does not indicate how a supervisor may assess whether the Board makes the proposed members aware of the expectation on time allocation for the function and commitment. We suggest a reasonable expectation be used to	The paragraph does not suggest how much time the Board member should allocate for the function, but

			avoid prescriptive situations requiring a director to maintain timesheets or records on his/her preparation to attend meetings (including where necessary to perform his/her research), participation at trainings and other presentation organised by an insurer, and time spent at meetings. A prescriptive approach in practice may discourage competent directors from joining a board.	that the Board should make the Board member aware of its expectations in this regard.
62. ICMIF	UK	No	Time allocation, level of commitment, contributions etc. are individual issues both in the context of an undertaking as well as individual Board members so these should not be part of the supervisor's remit. Corporate governance-mechanisms existing in jurisdictions take care of the problem in case a Board member is not capable of handling his/her duties as a Board member.	See response to comment 61.
<b>Q22 Comment on Paragraph 19</b>				
64. PCI	United States	No	Our concern with this is: does the ability of the supervisor to assess something imply the ability of the supervisor to prescribe a particular outcome? If so, we would be concerned that this might be an overreach by the supervisor.	This paragraphs focuses on the assessment. However, when needed, the supervisor will prescribe a particular outcome.
<b>Q23 Comment on Paragraph 20</b>				
65. Insurance Europe	Europe	No	It would be helpful if an example (eg from the referenced McDonnell paper) could be included here to clarify what is meant by "after such changes" and the subsequent loss of required skills at Board level.	The wording has been clarified, but kept flexible.
66. Global Federation of Insurance Associations	Global	No	It would be helpful if an example (eg from the referenced McDonnell paper) could be included here to clarify what is meant by "after such changes" and the subsequent loss of required skills at Board level.	See response to comment 65.
<b>Q24 Comment on Paragraph 21</b>				
67. Insurance Europe	Europe	No	Insurance Europe appreciates the IAIS encouraging Boards to to develop proper training processes to ensure effectiveness of the Board in dealing with the pace of changes. The supervisor's role overseeing rather than prescribing the training needs represents, in Insurance Europe's view, the right balance of responsibilities. Insurance Europe would encourage the IAIS to choose the same approach across	Noted.

			the scope of the application paper, including in relation to paragraph 15 for example.	
68. GDV - German Insurance Association	Germany	No	According to Paragraph 21, Executive Board members should be offered appropriate training and education. Such a training program already exists on the basis of development plans based on self-assessments. Corresponding specifications are therefore unnecessary.	Noted.
69. Global Federation of Insurance Associations	Global	No	Both paragraphs 21 and 22 include the word "should", which GFIA views to be more mandatory than intended for a paper of this kind.  GFIA appreciates the IAIS encouraging Boards to to develop proper training processes to ensure effectiveness of the Board in dealing with the pace of changes. The supervisor's role overseeing rather than prescribing the training needs represents, in GFIA's view, the right balance of responsibilities. GFIA would encourage the IAIS to choose the same approach across the scope of the application paper, including in relation to paragraph 15 for example.	"Should" is commonly used across IAIS materials as an indication of guidance – not a requirement. Its use in the Application Paper indicates a good practice.
70. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
71. ICMIF	UK	No	We agree training is important. However, encouraging supervisors to evaluate if funding and time of the Board member training is adequate would be intrusive and an example of too detailed regulation.	Not agreed.
72. PCI	United States	No	Both paragraphs 21 and 22 include the word "should", which we believe to be more mandatory than intended for a paper of this kind.	See response to comment 9.
<b>Q25 Comment on Paragraph 22</b>				
73. Insurance Europe	Europe	No	While Insurance Europe does not necessarily disagree with encouraging a scheduled rotation of Board members in certain situations, it is worth noting that a level of stability in the steering and direction provided to an undertaking is valuable. Any supervisory intervention in that area should therefore balance the need for	This is reflected in the current wording of this paragraph.

			change with the need for stability, considering certain long-term strategies and projects for example.	
74. GDV - German Insurance Association	Germany	No	We understand that supervisors would like to see if Executive Board members assume as much expertise as possible on all relevant topics. It is also comprehensible that Board members have certain knowledge of the responsibilities of their colleagues in order to be able to detect and challenge detrimental developments. However, it is seriously questionable whether this will improve the overall quality of the work of the Executive Board as a constant rotation would weaken the department principle and impede the availability of engrossed expertise in the departments. If maintained nonetheless, the rotation should last for a sufficient time to allow members to acquire sustainable knowledge.	The paragraph already mentions the need for retaining valuable knowledge, skills and experience and maintaining continuity.
75. Global Federation of Insurance Associations	Global	No	While GFIA does not necessarily disagree with encouraging a scheduled rotation of Board members in certain situations, it is worth noting that a level of stability in the steering and direction provided to an undertaking is valuable. In many jurisdictions, identifying qualified and willing candidates for Board positions can further be very difficult. Any supervisory intervention in that area should therefore balance the need for change with the need for stability, considering certain long-term strategies and projects for example.	See response to comment 73.
76. Institute of International Finance	Global	No	We suggest a minor edit, replacing the word "should" with "may". Depending upon the success of the recruitment process (or lack thereof) a required periodic staged rotation of Board members could potentially serve as a burdensome requirement, which may be difficult to effectuate and also be disruptive to the establishment of a cohesive Board.	See response to comment 9.
77. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 76.
78. PCI	United States	No	Requiring the periodic rotation of Board members can be overly burdensome and disruptive to the overall Board. As mentioned above to be consistent with the purposes of the Application Paper, the word "should" ought to be replaced with "may" to reflect the fact that forced rotation of Board members could be burdensome and unjustified.	See response to comment 76.

<b>Q26 Comment on Paragraph 23</b>				
79. Global Federation of Insurance Associations	Global	No	GFIA would be concerned with this paragraph if it implies that the supervisor could prescribe a particular talent management program for an insurer.	It is not the intention of this paragraph to encourage supervisors to prescribe a particular talent program.
80. PCI	United States	No	We would be concerned with this paragraph if it implies that the supervisor could prescribe a particular talent management program for an insurer.	See response to comment 79.
<b>Q27 General comments on Section 3: Diversity of competencies of the Board</b>				
81. Institute of International Finance	Global	No	As for the title of Section 3.2., guidelines should not address "unconscious" assumptions. We suggest deletion of "Unconscious and often." Thus, the title should read: "Unquestioned sharing of common assumptions may take place in a Board that is not diverse enough."	The wording "and often" replaced with "or". The reference to "unconscious" kept.
82. ICMIF	UK	No	It is important that the owners of a business are represented on the Board, to ensure that the Board is properly accountable to its owners. In a mutual or cooperative insurance undertaking where the policyholders are the owners, it is important therefore that there is a place for these member-policyholders. Particularly in an affinity mutual, these can ensure the company is run in the best interests of the sector the mutual represents, both in the short and long term. Similarly, there is growing focus, in some jurisdictions, on employee representation on the Board - where the Board sets the direction, the Board members need to understand the consequences of any strategic change on the company culture and the commitment of the workforce to making the necessary changes. It may therefore be useful to have an employee representative on the Board but that does not mean that that individual must be "highly competent". As commented in para. 15, we strongly believe Boards as a whole have to have the necessary skills and competence to deliver their responsibilities and accountabilities.	Noted.
<b>Q28 Comment on Paragraph 24</b>				
83. Insurance Europe	Europe	No	It is not entirely clear where the list in footnote 8 links to and what it aims to suggest.	The paragraph has been restructured to clarify this.

84. Global Federation of Insurance Associations	Global	No	It is not entirely clear where the list in footnote 8 links to and what it aims to suggest.	See response to comment 83.
85. AIA Group	Hong Kong	No	Again, we suggest that all levels of governance be taken into consideration when assessing the diversity of competencies of directors. While the authority and scope of activities may differ at each level of governance, in practice, there is a sharing of competencies and experiences.	The Application Paper is focused on the diversity at the Board level.
86. ICMIF	UK	No	We would like to refer to our comments to para. 15 as there are different views as to what is to be included in the skills and expertise in Boards of small undertakings.	Noted.
87. PCI	United States	No	It is not entirely clear where the list in footnote 8 links to and what it aims to suggest.	See response to comment 83.
<b>Q29 Comment on Paragraph 25</b>				
<b>Q30 Comment on Paragraph 26</b>				
<b>Q31 Comment on Paragraph 27</b>				
88. GDV - German Insurance Association	Germany	No	The Executive Board is to determine how the nomination of Executive Board candidates will be carried out in order to promote a variety of competences. Furthermore, it should be examined whether it is necessary to replace less qualified board members by better qualified ones. Again, we point out that under German law it is the sole responsibility of the Supervisory Board to appoint and/or recall members of the Executive Board.	Noted.
89. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
90. ICMIF	UK	No	Same comment as for para 12; in a mutual or cooperative insurer, members are not nominated but elected.	See response to comment 41.
<b>Q32 Comment on Paragraph 28</b>				

91. GDV - German Insurance Association	Germany	No	The Board should identify the need to replace less suitable members. This task is assigned to the Supervisory Board in relation to the Executive Board in Germany. As far as the Supervisory Board itself is concerned, its members are elected by the shareholders and employees. The panel can't decide on its own composition.	Not agreed. The reference to the Board is correct.
<b>Q33 Comment on Paragraph 29</b>				
92. Insurance Europe	Europe	No	Similar to the IAIS' proposal in paragraph 24, Insurance Europe supports the balance struck in paragraph 29 between responsibility and self-assessment of the Board and external supervisory oversight and interference.	Noted.
93. GDV - German Insurance Association	Germany	No	Paragraph 29 suggests having in place self-assessment/independent review processes not only on the performance of each Board member, but also on the Board's structure, composition and diversity. We do not see the rationale for establishing such procedures as performance reviews are already sufficiently measured with different tools (e.g. development plans).	Not agreed.
94. Global Federation of Insurance Associations	Global	No	The paragraph includes a "should" that is inappropriate. Similar to the IAIS' proposal in paragraph 24, GFIA supports the balance struck in paragraph 29 between responsibility and self-assessment of the Board and external supervisory oversight and interference.	See response to comment 69.
95. AIA Group	Hong Kong	No	These requirements appear to be overly prescriptive although we do suggest that they can be taken as non-binding suggestions. It is also important to note that while it may be necessary in certain circumstances for supervisors to review agendas and minutes, they should remain as observers and not be directing what should be discussed at meetings. Where appropriate, the supervisor should involve the insurer in the discussions and any actions taken.	Noted.
96. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
97. PCI	United States	No	The paragraph includes a "should" that is inappropriate.	Not agreed. See response to comment 9.
<b>Q34 Comment on Paragraph 30</b>				

98. Insurance Europe	Europe	No	Insurance Europe would like to note that a grid/matrix approach, observed by the IAIS as supervisory practice in the Dutch market, may carry some danger of over-engineering processes and therefore may not be suitable for all markets.	Noted.
99. Global Federation of Insurance Associations	Global	No	GFIA would note that a grid/matrix approach, observed by the IAIS as supervisory practice in the Dutch market, may not be suitable and proportionate for all jurisdictions.	Noted.
100. AIA Group	Hong Kong	No	These requirements appear to be overly prescriptive although we do suggest that they can be taken as non-binding suggestions. It is also important to note that while it may be necessary in certain circumstances for supervisors to review agendas and minutes, they should remain as observers and not be directing what should be discussed at meetings. Where appropriate, the supervisor should involve the insurer in the discussions and any actions taken.	Noted.
<b>Q35 Comment on Paragraph 31</b>				
<b>Q36 Comment on Paragraph 32</b>				
101. Insurance Europe	Europe	No	Insurance Europe appreciates that this aspect of diversity will be difficult for supervisors to assess and would suggest that in some cases there could be a link to the issues described under section 9 of this application paper, on behavioural aspects. Interviews and examination of minutes may be good tools to collect further indications of a lack of diversity becoming prevalent in the Board's decision-making, however, the causal effect on the undertaking's governance would also have to be assessed and likely over a longer assessment period of the respective Board constitution. More formal considerations on the enforcement of diversity at Board level - where the respective jurisdiction includes such - may be more practicable / efficient from a supervisory perspective.	The IAIS agrees that this issue includes some behavioural aspects. However, it has been decided to describe it in Section 3, in order to provide more comprehensive considerations about diversity of the Board.
102. Global Federation of Insurance Associations	Global	No	GFIA appreciates that this aspect of diversity will be difficult for supervisors to assess and would suggest that in some cases there could be a link to the issues described under section 9 of this application paper, on behavioural aspects. Interviews and examination of minutes may be good tools to collect further indications of a lack of diversity becoming prevalent in the Board's decision-making, however, the causal effect on the undertaking's governance would also have to be assessed and likely over a longer assessment period of the respective Board	See response to comment 101.

			constitution. More formal considerations on the enforcement of diversity at Board level - where the respective jurisdiction includes such - may be more practicable/efficient from a supervisory perspective.	
103. Institute of International Finance	Global	No	We advocate for the diversity on Boards and in Senior Management. The connection made in section 32 between "a lack of difficult questions" and the existence of an unconscious bias (the root cause of which, while not explicitly stated, is (we presume) due to a lack of diversity) is in our view overly subjective and somewhat tenuous and should be clarified. For example, what constitutes a "difficult question?" how many such questions are sufficient?	By 'difficult questions' the IAIS understands questions which pose certain challenges and valuable discussions, aimed at improving certain aspects of the insurer's functioning.
104. PCI	United States	No	It is not clear what is meant by "difficult questions". The fact is that Boards deal with difficult questions and there is no evidence that diversity would help in every case.	See response to comment 103.
<b>Q37 Comment on Paragraph 33</b>				
<b>Q38 Comment on Paragraph 34</b>				
105. GDV - German Insurance Association	Germany	No	There is no need for standardized processes and discussion groups with external expertise, as set out in Paragraph 34. Delegation and supervision are already under current law part of the organizational duties and thus an original task of the Board. A culture of discussion between the members of the Executive Board and the managers of downstream levels already exists. Corresponding specifications are therefore not required.	Not agreed.
106. ICMIF	UK	No	We welcome the acknowledgement that expertise brought by an outsider is generally very valuable, as you can't expect Board members to be experts in everything.	Noted.
<b>Q39 Comment on Paragraph 35</b>				
107. Insurance Europe	Europe	No	Insurance Europe is concerned that this paragraph suggests supervisor meetings with individual Board members. Supervisory contact with the Board should be as a whole, or with the Chair on behalf of the Board, and on a formal basis to ensure appropriate records are taken.	Not agreed. In some cases, face-to-face discussions with individual Board members may be an efficient and appropriate supervisory practice.

108. Global Federation of Insurance Associations	Global	No	<p>GFIA would suggest that the diversity of competencies at the Board level and in Senior Management is best evidenced by each individual's qualifications in terms of education, knowledge and experience. This is demonstrated and documented in CVs and other information that is already submitted to supervisors. Interviews of Board members can be burdensome, time-consuming and disruptive for both, company and supervisor. The examination of Board and committee minutes is overly intrusive.</p> <p>GFIA is further concerned that this paragraph suggests supervisor meetings with individual Board members. Supervisory contact with the Board should be as a whole, or with the Chair on behalf of the Board, and on a formal basis to ensure appropriate records are taken.</p>	Noted. The IAIS believes that the supervisory practices described in this paragraph serve the purpose of enhancing diversity of competencies of the Board, if needed. See response to comment 107.
109. Institute of International Finance	Global	No	Care should be taken to not cross the line from what is necessary to achieve supervisory objectives into the realm of decision-making appropriate for management.	Noted.
110. PCI	United States	No	The diversity of competencies at the Board level and in Senior Management is best evidenced by each individual's qualifications in terms of education, knowledge and experience. This is demonstrated and documented in the bios and information that is already submitted to regulators. Interviews of Board members can be burdensome, time-consuming and disruptive, and the examination of Board and committee minutes is overly intrusive.	See response to comment 108.
<b>Q40 General comments on Section 4: Allocation of the roles and responsibilities</b>				
<b>Q41 Comment on Paragraph 36</b>				
<b>Q42 Comment on Paragraph 37</b>				
<b>Q43 Comment on Paragraph 38</b>				
<b>Q44 Comment on Paragraph 39</b>				
<b>Q45 Comment on Paragraph 40</b>				

111. AIA Group	Hong Kong	No	We suggest that if appropriate a solution may be to have a board charter with broad yet clear allocation of responsibilities keeping in mind that such responsibilities would be dependent on the nature, scale and complexity of the insurer.	This is already covered by paragraph 42.
112. ICMIF	UK	No	It should be mentioned that the separation between the responsibilities of the Board of Directors and those of the operational staff may be predefined by law or regulation (e.g. the mutual code in France). Should more detailed provisions be provided, they could be included in written policies. Solvency II requires regular reports to the supervisor in response to the need to regularly check the adequacy of the governance procedures.	Noted. The problem described in this paragraph may appear regardless of the applicable regulation.
<b>Q46 Comment on Paragraph 41</b>				
113. GDV - German Insurance Association	Germany	No	The suggestions set out in Paragraphs 41-43 and 45 are too onerous and not necessary to ensure a proper allocation of tasks and responsibilities. This allocation is already predetermined by the assignment of departments within the Executive Board and the subdivision of business segments with regard to the management level below. Requirements such as responsibilities maps, regular interviews or internal audit procedures would only add to burdensome bureaucracy with questionable benefit.	Not agreed. See responses to relevant general comments.
114. Global Federation of Insurance Associations	Global	No	Insurers already have a corporate structure in place that is well-defined and known to the regulator. Requiring an insurer to prepare a separate "responsibilities map" so it can be validated against a framework or matrix on a regular basis can be time consuming and burdensome. A Board's responsibilities should be primarily judged by the results of the company and the meeting of their obligations.	Not agreed. See responses to relevant general comments.
115. Institute of International Finance	Global	No	Suggest the following edits: "Use of formal (delete "and informal") channels between supervisors, the whole Board, or the Chair on behalf of the Board and the chairs of key Board committees (add "is recommended to achieve this objective")."	See response to comment 30.
116. ICMIF	UK	No	We members believe the role of supervisors should not include the assessment of the Board's key roles and responsibilities, at least as long as all the legal and regulatory requirements are met. As to the responsibilities' map such as applied by the Financial Stability Board, we should like to point out that the FSB's objectives are to "address vulnerabilities affecting financial systems in the interest of global financial stability". While global	Not agreed. Please see ICP 7, the observance with which this Application Paper is supporting. As regards proportionality, see response to the last part of comment 2.

			<p>financial stability is part of the IAIS' mission, we believe the protection of policyholders takes precedence over it. Insurance plays a social role that should not be seen as secondary to global financial stability.</p> <p>As argued in para. 15 we would like to see the proportionality principle applied in assessing whether the "responsibilities' map' should be expected from each insurer, regardless of its size, nature or complexity.</p>	
117. PCI	United States	No	<p>This paragraph is too prescriptive and gives the supervisor too much authority over what should be the Board's and management's sole responsibility.</p> <p>Insurers already have a corporate structure in place that is well-defined and known to the regulator. Requiring an insurer to prepare a "responsibilities map" so it can be validated against a framework or matrix on a regular basis will be time consuming and burdensome. A Board's performance should be judged solely by the results of the company and whether it meets its obligations</p>	Not agreed. See responses to other comments on this paragraph, as well as responses to general comments on issues such as prescriptiveness.
<b>Q47 Comment on Paragraph 42</b>				
118. Institute of International Finance	Global	No	Care should be taken to not cross the line from what is necessary to achieve supervisory objectives into the realm of decision-making appropriate for management.	Noted.
<b>Q48 Comment on Paragraph 43</b>				
119. Insurance Europe	Europe	No	This paragraph should be clarified to add that a request for internal audit reports or a direction that an internal audit be undertaken, can only be made where the supervisor possesses the power to require internal audit reports or that the undertaking conducts extraordinary internal audit reviews on specific topics (refer also to comment on paragraph 64).	This is not necessary. See response to relevant part of comment 2.
120. GDV - German Insurance Association	Germany	No	In any case, we have not yet experienced that the supervisor directly ordered an auditing review. The point of contact for the supervision and the addressee of (injustice) dispositions is the Executive Board, which decides on suitable measures to remedy the grievance.	Noted.
121. Global Federation of	Global	No	This paragraph should be clarified to add that a request for internal audit reports or a direction that an internal audit be undertaken, can only be made where the	See response to comment 119.

Insurance Associations			supervisor possesses the power to require internal audit reports or that the undertaking conducts extraordinary internal audit reviews on specific topics (refer also to comment on paragraph 64). In addition, there should be a process for sharing any reports with the supervisor.	
122. PCI	United States	No	The last sentence should be clarified to add that such direction can only be made where the supervisor possesses the general power to require the insurer to conduct extraordinary internal audit reviews on specific topics (refer also to comment on paragraph 64). In addition, there should be a process for sharing any reports with the supervisor that protects confidentiality	See response to comment 119.
<b>Q49 Comment on Paragraph 44</b>				
123. Insurance Europe	Europe	No	Insurance Europe generally agrees that supervisors should encourage the resolution of any overlap of roles and responsibilities but would stress that not all overlaps between the roles and responsibilities of the Board and Senior Management necessarily lead to conflicts and / or governance concerns.	The paragraphs refers to overlaps resulting in governance concerns.
124. Global Federation of Insurance Associations	Global	No	GFIA generally agrees that supervisors should encourage the resolution of any overlap of roles and responsibilities but would stress that not all overlaps between the roles and responsibilities of the Board and Senior Management necessarily lead to conflicts and/or governance concerns.	See response to comment 123.
125. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
126. PCI	United States	No	The trade associations generally agree that supervisors should encourage the resolution of any conflicts of interest but not all overlaps between the roles and responsibilities of the Board and Senior Management necessarily lead to conflicts and / or governance concerns.	See response to comment 123.
<b>Q50 Comment on Paragraph 45</b>				
127. AIA Group	Hong Kong	No	We suggest that if appropriate a solution may be to have a board charter with broad yet clear allocation of responsibilities keeping in mind that such responsibilities would be dependent on the nature, scale and complexity of the insurer.	Noted.

<b>Q51 General comments on Section 5: Delegation of activities and tasks of the Board</b>				
128. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	This section mentions a "formal delegation policy," however the expectation here is not quite clear. Is this suggesting a higher expectation for a delegation policy versus other Board policies that are part of the "internal governance practices and procedures to support the work of the Board" (Standard 7.3)? Guidance 7.3.4 says there should be "formal and documented process for nomination, selection and removal of Board members," but otherwise ICP 7 makes no distinction as to which Board policies are "formal" (or what this necessarily means). Additionally, the language in this section seems much more direct in using "should" as opposed to "could" or "may" which is used in other sections of this paper. Suggest some clarification / context would be helpful in this section as well as reviewing the use of "should".	See the revised title 5.1 and paragraph 52.
<b>Q52 Comment on Paragraph 46</b>				
<b>Q53 Comment on Paragraph 47</b>				
129. Insurance Europe	Europe	No	It is not entirely clear what IAIS' expectations on the Board in terms of "assist with the balance of power and the effective discharge of its duties" are.	The paragraph has been revised to clarify its content.
130. Global Federation of Insurance Associations	Global	No	It is not entirely clear what the IAIS' expectations on the Board in terms of "assist with the balance of power and the effective discharge of its duties" are. In addition, GFIA would suggest that the use of "should" is inappropriate in paragraphs 47, 48, 49, 51, and 52 and 56.	See response to comment 129.
131. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
132. PCI	United States	No	It is not entirely clear what IAIS' expectations on the Board in terms of "assist with the balance of power and the effective discharge of its duties" are. In addition, the use of "should" is inappropriate in paragraphs 47, 48, 49, 51, and 52 and 56.	See responses to comments 129 and 9.
<b>Q54 Comment on Paragraph 48</b>				

133. GDV - German Insurance Association	Germany	No	The paper recommends specific measures in Paragraphs 48 et seq. regarding the delegation and sub-delegation of tasks of the Executive Board to subordinate management levels. However, the encouraged documentation of each delegation and sub-delegation of tasks as well as the introduction of a comprehensive monitoring system cause a high administrative burden and are incompatible with the principle of proportionality. Every company should be able to decide for themselves how it plans to do so.	As regards proportionality, see response to the last part of comment 2. Please see also ICP 7.3.14, regarding delegations made by the Board.
134. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
<b>Q55 Comment on Paragraph 49</b>				
135. GDV - German Insurance Association	Germany	No	The delegation requirements are spanned if the supervisor wants to prescribe not only a policy but also impose details how such a delegation should be documented - up to whether the task may be further delegated. In reality, it will often be the case that the board delegates the tasks to the senior management, whose representatives then decide at their own discretion whether they delegate certain tasks to other persons without prejudice to their sustaining responsibility.	Noted.
<b>Q56 Comment on Paragraph 50</b>				
136. Institute of International Finance	Global	No	We would urge a minor edit to para 51, replacing the word "should" with "may" so that it reads "The supervisor may direct the insurer to put one in place."	See revised wording in para. 51.
<b>Q57 Comment on Paragraph 51</b>				
137. Insurance Europe	Europe	No	Insurance Europe notes that not all jurisdictions give supervisors the power to direct an insurer to put in place a delegation policy.	The paragraph has been reworded to refer to a formal and documented process.
138. Global Federation of Insurance Associations	Global	No	GFIA notes that not all jurisdictions empower supervisors to direct an insurer to put in place a delegation policy.	See response to comment 137.

139. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may". However, "should" quoting ICP 7.3.4 should be left as it is.	See response to comment 9.
140. PCI	United States	No	This is another example of where "should" ought to be replaced with "may" to be consistent with the purpose of an Application Paper.	See response to comment 9.
<b>Q58 Comment on Paragraph 52</b>				
141. Insurance Europe	Europe	No	While Insurance Europe agrees that this could be a challenge encountered by supervisors, policies not being monitored and reviewed on a regular basis should be a more general area of supervisory scrutiny (not limited to policies on the delegation of activities and tasks).	Agreed. However, this issue is addressed in the Application Paper in relation to the topic of the paper.
142. Global Federation of Insurance Associations	Global	No	While GFIA agrees that this could be a challenge encountered by supervisors, policies not being monitored and reviewed on a regular basis should be a more general area of supervisory scrutiny (not limited to policies on the delegation of activities and tasks).	See response to comment 142.
143. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
<b>Q59 Comment on Paragraph 53</b>				
144. GDV - German Insurance Association	Germany	No	Requesting the Board minutes in order to assess the suitability of delegation policies is disproportionate as these documents predominantly contain information not related to the subject. Moreover, it may collide with requirements stipulated by national Company Law.	Not agreed. As regards collision with national law, see response to relevant part of comment 2.
<b>Q60 Comment on Paragraph 54</b>				
145. Global Federation of Insurance Associations	Global	No	There should be a process for sharing any reports with the supervisor.	This issue is addressed in the Application Paper in relation to the topic of the paper.

146. PCI	United States	No	There should be a process for sharing any reports with the supervisor that strongly protects confidentiality.	See response to comment 145.
<b>Q61 General comments on Section 6: Combining the roles of the Chair and the CEO</b>				
147. Insurance Europe	Europe	No	It is appropriate that this section does not purport to require a separation of the Chair and CEO roles as in some cases, there may be a case for combining these roles. However, the application paper should present a more balanced picture, recognising that there are positives and negatives to both approaches, and including mitigation strategies for dealing with challenges arising when the roles are split as well as when the roles are combined.	Agreed. However, the scope of the Application Paper is limited to identification of potential challenges related to the composition and the role of the Board and proposing ways to address such challenges. See also paragraph 57, as regards the mitigating measures.
148. Global Federation of Insurance Associations	Global	No	GFIA would suggest that this section be redrafted to be more balanced. This could be done by softening the language (eg replacing "should" with "could"), acknowledging that both split and combined roles have pros, cons and challenges, and including mitigation strategies for each role.  It is further appropriate that this section does not purport to require a separation of the Chair and CEO roles as in some cases, such as for smaller companies, there may be a case for combining these roles. However, the application paper should present a more balanced picture, recognising that there are positives and negatives to both approaches, and including mitigation strategies for dealing with challenges arising when the roles are split as well as when the roles are combined.	See response to comment 149.
149. PCI	United States	No	This Section should be redrafted to be more balanced, This can be done by softening the language (e.g. replacing "should" with "could"), acknowledging that both split and combined roles have pros, cons and challenges, and including mitigation strategies for each role.	See response to comment 149.
<b>Q62 Comment on Paragraph 55</b>				
<b>Q63 Comment on Paragraph 56</b>				
150. Institute of International Finance	Global	No	Care should be taken to not cross the line from what is necessary to achieve supervisory objectives into the realm of decision-making appropriate for management	Noted.

151. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
<b>Q64 Comment on Paragraph 57</b>				
152. Insurance Europe	Europe	No	A link to the IAIS' definition and/or understanding of "independent members" would be appreciated here.	See for example para. 26 of the Issues Paper on Corporate Governance (July 2009). However, please note that the meaning of this term may differ across jurisdictions.
153. Global Federation of Insurance Associations	Global	No	The number of independent Board members should be the company's decision, not the supervisor's decision. In addition, a link to the IAIS' definition and/or understanding of "independent members" would be appreciated here.	The inclusion of independent members may encourage challenge and facilitate an objective decision-making process (ie to address challenges that may appear in case of combining the roles of the Chair and CEO).  See also response to comment 152.
154. ICMIF	UK	No	Independent directors should not be mentioned in this paragraph which is supposed to be about combining CEO & chair	Not agreed.
155. PCI	United States	No	The number of independent Board members should be the company's decision, not the supervisor's decision. In addition, a link to the IAIS' definition and/or understanding of "independent members" would be appreciated here. This potential requirement incorrectly assumes that executive directors are unable to achieve objective decision making or capable of independent thought and deliberations.	Not agreed. The Application Paper does not indicate that the supervisor should request a specific number of independent directors. However, it is already provided in ICP 7.3.8 that independence criteria should be met by an adequate number of the members of the Board. The adequate number will depend on specific characteristics of a particular insurer.

<b>Q65 General comments on Section 7: Being a Board member of multiple entities within the same group</b>				
156. Institute of International Finance	Global	No	While we both appreciate concerns around conflicts of interest and welcome the reference in para 58 to the advantages of allowing cross-representation on Boards, we believe that the potential conflicts of interest stemming from having individuals serving on more than one Board (within an insurance group) are overstated. Ultimately, these individuals are serving in the interest of the insurance group, its shareholders and other key stakeholders. In the banking context for example, the Basel Committee on Banking Supervision's (BCBS) corporate governance principles places a greater onus on the institution to reduce and/or eliminate conflicts of interest where they may arise rather than introduce specific governance requirements within regulations.	In the IAIS view, the wording of this section is sufficiently balanced. The Application Paper considers potential challenges related to being a Board member of multiple entities within the same group. This section describes supervisory practices that can be applied in case conflicts of interest arise in this particular situation. At the same time, it recognises that there are advantages to this.
157. ICMIF	UK	No	We would like to challenge this prescription in the case of Boards belonging to a same group. As underlined in paragraph 58, there are very clear advantages in a member of a Board holding more than one assignment within the group. Allowing a supervisor to determine a maximum number of mandates which can be held by one person within the same group seems like stretching the demands too far and such limitations could have negative effects. The entities within a group can be small, carrying little or no risk. For example, the capital requirement directive CRD IV within the EU limits the number of mandates a member of a Board in a significant bank can have (and smaller institutions are not addressed). However the limitation allows for flexibility and mandates within the same group are not counted as different mandates (Article 91 CRD IV). In fact there could be a point in not overregulating these aspects in order to facilitate keeping a group together. In our opinion the wording at least should include a higher degree of flexibility and proportionality.	See response to comment 156.
158. PCI	United States	No	To the contrary, we believe that a Board member serving on multiple Boards may actually bring value in terms of knowledge, expertise and a common culture. A principles-based approach to avoiding "conflicts of interest" is a better approach than the one in this paper that intrudes too broadly and specifically into Board governance.	See response to comment 156.
<b>Q66 Comment on Paragraph 58</b>				

159. AIA Group	Hong Kong	No	We are wholly supportive of the ability for an individual to be a member of more than one board within a group and we suggest that all jurisdictions allow this as we agree it helps create a common culture and consistent management across the group and may lead to synergies.	Noted.
<b>Q67 Comment on Paragraph 59</b>				
160. Global Federation of Insurance Associations	Global	No	Boards often address and adequately resolve potential conflicts of interest.	Noted.
161. PCI	United States	No	Potential conflicts of interests are being overstated in the Application Paper. Boards often address and adequately resolve potential conflicts of interest. We would be concerned that these sections might impose unnecessary burdens through additional documentation beyond existing charters and bylaws.	See response to comment 156.
<b>Q68 Comment on Paragraph 60</b>				
162. Insurance Europe	Europe	No	<p>It is not clear what the benefit of the first sentence in this paragraph is. It lists good regulatory practices over which supervisors, who are the addressees of this draft paper, will in most cases not have direct influence. Insurance Europe believes paragraph 60 to be generally over-prescriptive regarding the role of the supervisor. A reference to the respective ComFrame provision instead would be preferable.</p> <p>Insurance Europe furthermore believes that it goes beyond the remit of insurance supervisors to require some (or even the majority) of Board members to be non-executive (first bullet point; see also comment in response to paragraph 77), or to require specific permission for multiple Board positions to be held within the same group (second bullet point).</p> <p>On the fourth bullet point, ie determining the maximum number of mandates to be held by persons who already perform a similar role in other entities within the same group, it should be clarified that any such supervisory determination would be made on a case-by-case basis. The decision would have to be proportional to the group and individual concerned. A one-size-fits-all approach (ie a maximum of mandates applicable for all entities) would not be appropriate.</p>	<p>Not agreed that the content of the paragraph is too prescriptive.</p> <p>Please note that this Application Paper refers to all insurance groups, not only to IAIGs.</p>

163. GDV - German Insurance Association	Germany	No	The problem of conflicts of interest described in Paragraph 60 is already known in the companies. A requirement for approval by the supervisor seems dispensable.	Noted. It is not clear to what approval the comment refers to.
164. Global Federation of Insurance Associations	Global	No	<p>It is not clear what the benefit of the first sentence in this paragraph is. It lists good regulatory practices over which supervisors, who are the addressees of this draft paper, will in most cases not have direct influence. GFIA believes paragraph 60 to be generally over-prescriptive regarding the role of the supervisor. A reference to the respective ComFrame provision instead would be preferable.</p> <p>GFIA takes the view that it goes beyond the remit of insurance supervisors to require some (or even the majority) of Board members to be non-executive (first bullet point; see also comment in response to paragraph 77), or to require specific permission for multiple Board positions to be held within the same group (second bullet point).</p> <p>On the fourth bullet point, ie determining the maximum number of mandates to be held by persons who already perform a similar role in other entities within the same group, it should be clarified that any such supervisory determination would be on a case-by-case basis. The decision would have to be proportional to the group and individual concerned. A one-size-fits-all approach would not be appropriate.</p>	See response to comment 162.
165. AIA Group	Hong Kong	No	While we do not diminish the objective that directors ought to devote an appropriate amount of time to their responsibilities, our view is that prescriptive requirements to limit board membership not be taken arbitrarily particularly where it may be difficult to attract directors to join the board of an insurer.	See response to comment 162.
166. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
167. PCI	United States	No	It is not entirely clear what the benefit of the first sentence in this paragraph is. It lists good regulatory practices on which supervisors, who are the addressees of this draft paper, will in most cases not have direct influence. A reference to the respective ComFrame provision instead would be preferable.	See response to comment 162.

			<p>It generally goes beyond the authority of insurance supervisors to require some (or even the majority) of Board members to be non-executive (first bullet point; see also comment in response to paragraph 77), or to require specific permission for multiple Board positions to be held within the same group (second bullet point).</p> <p>On the fourth bullet point, i.e. determining the maximum number of mandates to be held by persons who already perform a similar role in other entities within the same group, it should be clarified that any such supervisory determination would be made on a case-by-case basis. The decision would have to be proportional to the group and individual concerned. A one-size-fits-all approach is not appropriate.</p>	
<b>Q69 General comments on Section 8: Access to information</b>				
<b>Q70 Comment on Paragraph 61</b>				
<b>Q71 Comment on Paragraph 62</b>				
<b>Q72 Comment on Paragraph 63</b>				
168. GDV - German Insurance Association	Germany	No	<p>It is considered problematic if the Chair or CEO hold separate discussions with individual members of the Executive Board on important topics. An information gap in the board should be avoided. Fundamental issues usually have to be decided by the entire Board anyway. However, bilateral preliminary talks must be possible for the sake of expediency. Incidentally, the relationship between the Chairman of the Supervisory Board and the CEO is particularly special. The Chairman of the Supervisory Board should not be forced to communicate with the full Executive Board.</p>	<p>Not agreed. In case of important matters, mentioned in the paragraph, it is important to keep all Board members informed.</p>
169. Institute of International Finance	Global	No	<p>Care should be taken to not cross the line from what is necessary to achieve supervisory objectives into the realm of decision-making appropriate for management.</p>	<p>Noted.</p>
170. General Insurance Association of Japan	Japan	No	<p>Please refer to our comments on Q1 referring to the use of "should" and "may".</p>	<p>See response to comment 9.</p>

Q73 Comment on Paragraph 64				
171. Insurance Europe	Europe	No	As per the comment provided on paragraph 43, Insurance Europe would like to clarify that not all jurisdictions may foresee the supervisory power to instruct specific internal audit reviews to be conducted. Notwithstanding the existence of such empowerment in local regulations, supervisors should be able to assess existing internal audit reports on the Board's decision-making process, where these have been conducted and there is an indication that there may be governance concerns. Regarding the conduct of individual interviews with Board members, please refer to the comments provided in response to paragraph 35.	See response to relevant part of comment 2, as well as response to comment 107.
172. GDV - German Insurance Association	Germany	No	It is questionable whether the review of the Board's decision-making process by an internal audit, as proposed in Paragraph 64, is even permitted. After all, according to the Business Judgment Rule, the board has an entrepreneurial discretion. Entrepreneurial freedom is realized in the actions of the Executive Board. Internal auditing has no oversight responsibilities.	See response to relevant part of comment 2 (regarding compliance with national law).
173. Global Federation of Insurance Associations	Global	No	As per the comment provided on paragraph 43, GFIA would clarify that not all jurisdictions may give the supervisor the power to instruct specific internal audit reviews to be conducted. Notwithstanding the existence of such empowerment in local regulations, supervisors should be able to assess existing internal audit reports on the Board's decision-making process, where these have been conducted and there is an indication that there may be governance concerns. Nonetheless, the second bulleted point is overly prescriptive, in using the term "instructing". In addition, there should be a process for sharing any reports with the supervisor.  Conducting interviews with Board members to ascertain the decision-making process and the quality of information received can be burdensome and time-consuming. Reviewing the minutes of the Board and related materials should be more than sufficient in most cases.	See response to relevant part of comment 2 (regarding compliance with national law).
174. AIA Group	Hong Kong	No	These requirements appear to be overly prescriptive although we do suggest that they can be taken as non-binding suggestions. It is also important to note that while it may be necessary in certain circumstances for supervisors to review agendas and minutes, they should remain as observers and not be directing what should be discussed at meetings. Where appropriate, the supervisor should involve the insurer in the discussions and any actions taken.	See responses to general comments, regarding prescriptiveness.

176. PCI	United States	No	<p>Not all jurisdictions give the supervisor the power to instruct specific internal audit reviews to be conducted. Notwithstanding the existence of such empowerment in some local regulations, supervisors should be able to assess internal audit reports on the Board's decision-making process, where these have been conducted and there is an indication that there may be governance concerns. Nonetheless, the second bulleted point is too prescriptive, in using the term "instructing". In addition, there should be a process for sharing any reports with the supervisor that includes strong confidentiality protections.</p> <p>Conducting interviews with Board members will be unproductively burdensome and time-consuming. Reviewing the minutes of the Board and related materials should be more than sufficient.</p>	<p>See response to relevant part of comment 2 (regarding compliance with national law).</p> <p>See response to general comments on this issue.</p>
<b>Q74 Comment on Paragraph 65</b>				
177. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
178. PCI	United States	No	In some jurisdictions, like the U.S., the Board's functions and responsibilities are set forth in the company's bylaws	Noted.
<b>Q75 Comment on Paragraph 66</b>				
179. Institute of International Finance	Global	No	We would point out that significant time and resources could be devoted to the task of analyzing and assessing the process(es) around which information is or is not presented to the Board. Ultimately, shortcomings in this area can be assessed and identified through other means. We believe that this should be left to the internal process between the board and the management of the companies. Supervisory interference should be avoided.	Not agreed.
180. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.

181. ICMIF	UK	No	Our members do not agree that the supervisor should intervene in decision-making as it is described here. This refers to our earlier comments of supervisors evaluating the results but not the processes	Not agreed. See responses to previous comments.
<b>Q76 Comment on Paragraph 67</b>				
182. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
183. PCI	United States	No	Significant resources would be necessary for these tasks. Ultimately, shortcomings in this area can be assessed and identified better through other means.	Noted. See response to penultimate bullet in comment 2.
<b>Q77 Comment on Paragraph 68</b>				
184. Insurance Europe	Europe	No	The supervisor should engage with the Board as a whole, or with the Chair on behalf of the Board, rather than with individual Board members, and must ensure that there are appropriate records of meetings.	See response to last part of comment 4.
185. Global Federation of Insurance Associations	Global	No	Conducting interviews with Board members to validate and corroborate the accuracy of Board minutes can be burdensome and time-consuming. The supervisor should engage with the Board as a whole, or with the Chair on behalf of the Board, rather than with individual Board members, and must ensure that there are appropriate records of meetings.	See response to last part of comment 4.
186. PCI	United States	No	Conducting interviews with Board members to validate and corroborate the accuracy of Board minutes can be burdensome and time-consuming.	See response to last part of comment 4.
<b>Q78 Comment on Paragraph 69</b>				
187. Insurance Europe	Europe	No	Insurance Europe agrees that insurer and supervisor should engage in a dialogue to determine the appropriate level of detail of the minutes according to the expectations of the supervisor. This can be efficient in the sense that a well-communicated and clear reflection of the meeting in its minutes would mitigate the potential need for supervisors to join meetings in person. However, it should be clarified that the main purpose of documenting Board meetings in minutes is not to enable supervisors to enforce governance provisions but to ensure the	Minutes should be drafted in a clear way and with the appropriate level of details, regardless of the purpose for which they are used.

			documentation of efficient and transparent decision-making procedures within the entity. The level of detail of the minutes should therefore serve this purpose first, while providing appropriate levels of insight to supervisors where required.	
188. GDV - German Insurance Association	Germany	No	Insofar as the suggestion amounts to the need to draw up detailed progress sheets for all meetings (also of the Executive Board) and all agenda items, this would result in a considerable and unjustified additional effort.	Not agreed. See response to comment 187.
189. Global Federation of Insurance Associations	Global	No	GFIA agrees that insurer and supervisor should engage in a dialogue to determine the appropriate level of detail of the minutes according to the expectations of the supervisor. This can be efficient in the sense that a well-communicated and clear reflection of the meeting in its minutes would mitigate the potential need for supervisors to join meetings in person. However, it should be clarified that the main purpose of documenting Board meetings in minutes is not to enable supervisors to enforce governance provisions but to ensure the documentation of efficient and transparent decision-making procedures within the entity. The level of detail of the minutes should therefore serve this purpose first, while providing appropriate levels of insight to supervisors where required.	See response to comment 187.
190. ICMIF	UK	No	We think the main purpose of minutes is to ensure the documentation of sound and transparent decision making procedures.	See response to comment 187.
192. PCI	United States	No	The insurer and supervisor should engage in a dialogue to determine the appropriate level of detail of the minutes according to the expectations of the supervisor. However, it should be clarified that the main purpose of documenting Board meetings in minutes is not to enable supervisors to enforce governance provisions or to provide advice on how to draft such minutes, but to ensure the documentation of efficient and transparent decision-making procedures within the entity. The level of detail of the minutes should therefore serve this purpose first, while providing appropriate levels of insight to supervisors where required.	See response to comment 187.
<b>Q79 General comments on Section 9: Behavioural aspects of the Board's functioning</b>				
193. Insurance Europe	Europe	No	Insurance Europe disagrees with the suggestion of proscribing behaviour absent of evidence, based on objective criteria, that behaviour threatens the welfare of the insurer, its shareholders, or its policyholders.	Some aspects of the Board functioning may be subject to supervisory judgement, which does not mean that they should be

				ignored by supervisors. Behavioural aspects of the Board functioning should be considered for proactive supervision of corporate governance. Section 9 was elaborated on the basis of challenges and experiences encountered by supervisors.
194. Institute of International Finance	Global	No	<p>As mentioned in the general comments, Section 9 directs supervisors to involve themselves closely in a variety of subjective aspects of governance, including informal interpersonal relationships and aspects of individual and group psychology, with no standards or criteria for guidance. The section seems to suggest that in some cases supervisors could intervene in governance, restructure Boards and conduct investigations based on vaguely articulated forms of dysfunctional behavior.</p> <p>We are concerned that such prognosis may go beyond what is necessary to achieve supervisory objectives and suggest that absent both evidence of such behavior violating rules and regulations that the firm is subject to, or threatening its financial strength, or the well-being and rights of shareholders and/or policyholders, and objective criteria to guide intervention, this type of guidance is inappropriate.</p> <p>For these reasons, we think Section 9 with the proposed guidance and recommendations, is inappropriate and we suggest to delete it. However, if the IAIS feels compelled to keep this section, we would suggest changes in the following questions.</p>	See response to comment 193.
195. GDV - German Insurance Association	Germany	No	The entire section suffers from indefinite links for supervisory action. It would allow supervisors to step in even if there is just an assumed deficiency. Supervisory intervention requires clear and verifiable criteria and can't be legitimized by subjective impressions.	See response to comment 193.
196. Global Federation of Insurance Associations	Global	No	The application paper attempts to provide guidance relating to Board members' behaviour (eg, "groupthink") that lack objective criteria, which is problematic.	See response to comment 193.

197. Institute of International Finance	Global	No	<p>We suggest the paragraph should be edited as follows:</p> <p>In addition to supervision of formal arrangements related to the role and composition of the Board, supervisors should be aware of potential challenges that may be posed by behavioural aspects of the functioning of the Board. The supervisor may find it difficult to assess those aspects of functioning of the Board and to determine when and what measures should be taken. The reason is that such developments within the Board are most often intangible and subject to subjective assessment of the supervisor. (add"Given that supervisors usually lack the training in individual and group psychology, which would enable an informed and objective judgement"). (delete "For example"), De Nederlandsche Bank (DNB) uses the following risk indicators of behavioural factors in assessment of the Board's decision-making in the supervised institutions.17 (add"Different supervisors are likely to assess the same factors differently, depending on their training, experience and personal perspectives").</p>	The paragraph addresses this issue in a sufficient way.
198. AIA Group	Hong Kong	No	<p>The challenges seem to be specific circumstances which may not be applicable to all insurers. It should be made clear that not all of these specific situations will arise and whether they arise may depend on the nature, scale and complexity of the insurer. It should also be clarified that the supervisor is not obligated to take all the actions listed and these are suggestions, some or all of which a supervisor may adopt.</p>	It is already addressed in the draft. See also response to comment 2.
199. ICMIF	UK	No	<p>The behavioural aspects of the functioning of the Board are difficult to objectively and exhaustively evaluate. They are primarily the owners/member-policyholders' concern when electing/nominating the Board members who should be responsible for providing the overall strategy and direction for the insurer and overseeing its proper overall management in the best possible way and in the owners'/member-policyholders interest, in compliance with the governance provisions. Behavioural and human aspects would be best left to the Board's self-assessment of its functioning, for which recommendations provide good questions and examples The role of a supervisor is not to intervene in the specific case of a dominant Board member or to challenge the rationale behind a Board's thinking but to ensure the Board respects its obligations. .</p>	See responses to comments 193 and 198.
201. PCI	United States	No	<p>The Application Paper attempts to provide guidance relating to Board members' behaviour (e.g., "groupthink") that lack objective criteria, which is very problematic. Its recommendations also do not take into full account the IAIS's own guidance</p>	See response to comment 193.

			articulated in its ICPs and its Application Paper on Group Corporate Governance, which highlights the need to maintain group-wide consistency of objectives and strategies and ensure that those objectives and strategies are implemented across the group.	
202. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	<p>There is not much of an introduction to the topic before the example and table from the DNB in paragraph 70, whereas paragraph 71 seems to provide a higher level overview of behavioral aspects. Suggest rearranging the order of this material so the higher level introduction is first, followed by the specific jurisdictional example.</p> <p>Additionally, there appears to be quite a bit of overlap between topic 9.1 and 9.2. Suggest combining these into one issue or otherwise better articulating the distinction between the two.</p>	The order kept, but the description of the DNB practice moved to a separate paragraph.
<b>Q80 Comment on Paragraphs 70 and 71 (previously 70)</b>				
203. Global Federation of Insurance Associations	Global	No	This chart seems to imply that for a Board to achieve adequate deliberation and exchange of ideas, conflict and/or dissent are necessary. There is no single measure of the amount of conflict necessary to allow a Board to successfully fulfil its role.	Not agreed that the chart implies that.
204. Institute of International Finance	Global	No	<p>For the same reason as described in our comments on Q79 (Paragraph 70), we suggest this paragraph be edited as follows:</p> <p>(Add"Recognizing the subjectivity inherent") in the context described above, supervisors should (add"exercise caution in taking") (delete "take") into account a broad range of potential behavioural conditions. A. Brown and B. Balasingham identified the following common root caused leadership issues (at the Board or Senior Management level) that led ultimately to failure of some insurers<sup>18</sup>:</p> <p>We also suggest insertion of the following language after the table with respect to "common root caused leadership issues": Insurers' management can draw lessons from the case studies cited in this paper; however, the factors described in this table should not form the basis for supervisors' intervention—appropriate due diligence would be required before specific measures should be taken.</p>	Not agreed. This is not needed, since this issue is already explained in paragraph 71.

205. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
206. PCI	United States	No	This chart seems to imply that for a Board to achieve adequate deliberation and exchange of ideas, conflict and/or dissent are necessary. There is no single measure of the amount of conflict necessary to allow a board to successfully fulfill its role. It also assumes that the supervisor could attend Board meetings which we believe is overly intrusive. In addition, we caution against interventions based on grounds of behavior or personality in the absence of objective and compelling reasons, such as threatening the welfare of the company, shareholders and policyholders.	See responses to comments 193 and 198.
<b>Q81 Comment on Paragraph 72 (previously 71)</b>				
207. Insurance Europe	Europe	No	The list and description of behavioural conditions in this paragraph appears to be fairly abstract, however, the reference made to the 2013 paper suggests that leadership issues identified were the sole cause for the subsequent failure of the insurers concerned. While Insurance Europe has no strong reservations against including this paragraph in the application paper, it is not convinced supervisors will benefit much - at least without also studying the referenced Brown / Balasingham paper.	The paragraph has been slightly reworded.
208. Global Federation of Insurance Associations	Global	No	The list and description of behavioural conditions in this paragraph appears to be fairly abstract, however, the reference made to the 2013 paper suggests that leadership issues identified were the sole cause for the subsequent failure of the insurers concerned. While GFIA has no strong reservations against including this paragraph in the application paper, it is not convinced supervisors will benefit much - at least without also studying the referenced Brown/Balasingham paper.	See response to comment 207.
209. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
<b>Q82 Comment on Paragraph 73 (previously 72)</b>				

<b>Q83 Comment on Paragraph 74 (previously 73)</b>				
210. Institute of International Finance	Global	No	There is extensive overlap between leadership and "dominant personality," which this paragraph does not acknowledge. Thus, we suggest deletion of the fourth and fifth sub-bullets in entirety.	It has been clarified in the paragraph that the Application paper is focused on dominating the discussions and decision-making process in a negative way. The Application Paper has also been reworded to refer to "overly-dominant personality".
211. PCI	United States	No	An insurer selects a particular Chair or CEO because he or she provides a unique and valuable perspective, business acumen and expertise; thus it is natural for these individuals to have strong, leading personalities and dominate certain discussions. That however, does not mean that the Board as a whole is incapable of disagreeing or challenging these individuals.	See response to comment 210.
<b>Q84 Comment on Paragraph 75 (previously 74)</b>				
212. Association of Bermuda Insurers and Reinsurers	Bermuda	No	The paper proposes Board meeting attendance by the supervisor relating to the supervisor's ability to assess the impact on Board discussions and decision making of a dominant Chair or CEO. ABIR believe this recommendation is overly intrusive and could likely upset the normal meeting proceedings, thus ultimately not achieving the supervisor's intended outcome. We believe it is unlikely that Board discussions will be carried out in the presence of the supervisor in the same way that they would absent the supervisor's attendance. We are supportive of the papers recommendation to conduct dialogue with individual Board members in this regard.	Not agreed. This practice has already been recognised and applied by some supervisors. The paragraphs also specifies that this action should be considered in jurisdictions where appropriate.
213. Insurance Europe	Europe	No	<p>The first bullet point is not entirely clear but seems to indicate that supervisors should convey their views directly to the dominating Chair/CEO.</p> <p>Regarding the second bullet point, the supervisor should engage with the Board as a whole, or with the Chair on behalf of the Board, rather than with individual Board members, and must ensure that there are appropriate records of meetings.</p>	<p>The first bullet point is about conveying messages through the dominating person, so he/she is more involved in the dialogue with the supervisor.</p> <p>This is covered by the third bullet.</p>

			<p>The option for supervisors to attend Board meetings in person, included in the fourth bullet point, is overly intrusive. The presence of supervisors has the potential to interfere with the objectivity of the meeting. To guarantee the independence of both Board and supervisor, the use of this proposed tool should be avoided. It is further unclear in the context of 9.1, whether the purpose of this attendance would be for the supervisor to gather evidence on the inappropriate dominance of the Chair/CEO or to change that alleged behaviour by observing (and thereby evidently influencing) the discussion and decision-making process. In any case, this measure, including the suggestion that the supervisor could have a behavioural expert attend a Board meeting, does not constitute a common supervisory practice in jurisdictions and Insurance Europe doubts that it would be effective to address the issue of dominance long-term. The IAIS should consider deleting the fourth bullet point.</p>	See response to comment 212.
214. Global Federation of Insurance Associations	Global	No	<p>The first bullet point is not entirely clear but seems to indicate that supervisors should convey their views directly to the dominating Chair/CEO.</p> <p>Regarding the second bullet point, the supervisor should engage with the Board as a whole, or with the Chair on behalf of the Board, rather than with individual Board members, and must ensure that there are appropriate records of meetings.</p> <p>The option for supervisors to attend Board meetings in person, included in the fourth bullet point, is overly intrusive. The presence of supervisors has the potential to interfere with the objectivity of the meeting. To guarantee the independence of both Board and supervisor, the use of this proposed tool should be avoided. It is further unclear in the context of 9.1, whether the purpose of this attendance would be for the supervisor to gather evidence on the inappropriate dominance of the Chair/CEO or to change that alleged behaviour by observing (and thereby evidently influencing) the discussion and decision-making process. In any case, this measure, including the suggestion that the supervisor could have a behavioural expert attend a Board meeting, does not constitute a common supervisory practice in jurisdictions and Insurance Europe doubts that it would be effective to address the issue of dominance long-term. The IAIS should consider deleting the fourth bullet point.</p>	See responses to comments 212 and 213.

215. AIA Group	Hong Kong	No	<p>These requirements appear to be overly prescriptive although we do suggest that they can be taken as non-binding suggestions. It is also important to note that while it may be necessary in certain circumstances for supervisors to review agendas and minutes, they should remain as observers and not be directing what should be discussed at meetings. Where appropriate, the supervisor should involve the insurer in the discussions and any actions taken.</p> <p>Please note that the attendance of supervisors at board meetings may discourage free and open debate between directors. Attendance by supervisors at board meetings if at all permitted should be limited and if possible, the consideration of using an independent third party may be more productive.</p>	See response to comment 212.
216. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
218. PCI	United States	No	<p>The first bullet point is not entirely clear but seems to indicate that supervisors should convey their views directly to the dominating Chair/CEO.</p> <p>The option for supervisors to attend Board meetings in person, included in the fourth bullet point, is overly intrusive. It is unclear in the context of 9.1, whether the purpose of this attendance would be for the supervisor to gather evidence on the inappropriate dominance of the Chair/CEO or to change the alleged behavior by observing (and thereby evidently influencing) the discussion and decision-making process. The IAIS should consider deleting the fourth bullet point.</p> <p>The ability of a supervisor to attend Board meetings would be overly intrusive and would undermine the independence and confidentiality of the regulated entity's internal processes and deliberations. It would also have a chilling effect on the very types of Board discussions that the supervisor wants.</p>	See responses to comments 212 and 213.
<b>Q85 Comment on Paragraph 76 (previously 75)</b>				
219. Global Federation of Insurance Associations	Global	No	GFIA disagrees with the notion that it is good practice that the Chair of the Board be a non-executive and not serve as chair of any Board committee. It is incorrect to assume that an individual cannot successfully serve in both capacities or act in the best interest of the company.	The content of ICP 7, quoted in the Application Paper, is not subject to consultation.

220. PCI	United States	No	We disagree with the notion that it is good practice that the Chair of the Board be a non-executive and not serve as chair of any Board committee. It is incorrect to assume that an individual cannot successfully serve in both capacities or act in the best interest of the company.	See response to comment 219.
<b>Q86 Comment on Paragraph 77 (previously 76)</b>				
221. Institute of International Finance	Global	No	For the same reason as described in our comments on Q. 39 (Para. 35), we suggest the following changes:  - At the second sub-bullet point, change "Require or recommend" to "Recommend":  - At the third sub-bullet point, change "require" to "recommend that": and  - Delete the fourth and fifth sub-bullets in their entirety.	Not agreed.
<b>Q87 Comment on Paragraph 78 (previously 77)</b>				
222. Insurance Europe	Europe	No	The alternative proposed in the first bullet point - ie that the Chair/CEO should be prohibited from becoming a member of a Board committee - seems to be overly intrusive and should not form part of the general supervisory tool-set for governance issues.  In relation to the second bullet point, Insurance Europe believes that it goes beyond the remit of insurance supervisors to require some (or even the majority) of Board (committee) members to be non-executive or the chairmanship to be assigned to a non-executive director (see also comment in response to paragraph 60).  Regarding the proposed attendance of Board committee meetings, please refer to the comments provided in response to paragraph 74.	Not agreed. See also response to comment 212.
223. Global Federation of Insurance Associations	Global	No	Overall, GFIA is of the view that this paragraph is too prescriptive for the purposes of an IAIS application paper.  The alternative proposed in the first bullet point - ie that the Chair/CEO should be prohibited from becoming a member of a Board committee - seems to be overly intrusive and should not form part of the general supervisory tool-set for governance issues.	Not agreed. See also response to comment 212.

			<p>In relation to the second bullet point, GFIA believes that it goes beyond the remit of insurance supervisors to require some (or even the majority) of Board (committee) members to be non-executive or the chairmanship to be assigned to a non-executive director (see also comment in response to paragraph 60).</p> <p>Regarding the proposed attendance of Board committee meetings, please refer to the comments provided in response to paragraph 74.</p>	
225. PCI	United States	No	<p>Overall, we find this paragraph to be far too prescriptive for an Application Paper of this kind.</p> <p>The alternative proposed in the first bullet point - i.e. that the Chair/CEO should be prohibited from becoming a member of a Board committee - is overly intrusive.</p> <p>With respect to the second bullet point, it goes beyond the authority of insurance supervisors to require some (or even the majority) of Board (committee) members to be non-executive or the chairmanship to be assigned to a non-executive director (see also comment in response to paragraph 60).</p> <p>Regarding the proposed attendance of Board committee meetings, please refer to the comments provided in response to paragraph 74.</p> <p>As stated above, the ability of a supervisor to attend Board meetings would be overly intrusive and would undermine the independence and confidentiality of the regulated entity's internal processes and deliberations. It would also have a chilling effect on the very types of Board discussions that the supervisor wants.</p>	Not agreed. See also response to comment 212.
<b>Q88 Comment on Paragraph 79 (previously 78)</b>				
<b>Q89 Comment on Paragraph 80 (previously 79)</b>				
226. Institute of International Finance	Global	No	<p>This paragraph needs to clarify the tension and/or inconsistency between the negative characterization here of "groupthink" and IAIS guidance elsewhere (such as the 2017 Application Paper on Group Corporate Governance), which emphasizes the need to maintain group-wide consistency of objectives and strategies and of ensuring that those common objectives and strategies are</p>	<p>The comment refers to two separate issues. "Groupthink" as a behavioural aspect of the Board functioning should be distinguished from the consistency of objectives</p>

			<p>implemented across the group. It should be revised as follows:</p> <p>(add"While the IAIS endorses the need for common groupwide objectives and strategy, some observers warn that") the "groupthink" tendency is a behavioural aspect that may have negative consequences on the functioning of the Board. This social constraint consists of the members' strong wish to preserve the harmony of the group, which inclines them to avoid creating any discordant arguments or schisms. (add"This is not necessarily a negative dynamic and may contribute to the objective of groupwide cohesion. However, observers warn tha")t in some cases, this "groupthink" tendency may occur when particular members of the Board are considered as "experts" in the area of their responsibility, and their views or opinions are not challenged by other members. When this social constraint is dominant, the group members engage in self-censorship of their doubts about whatever policy position seems to be preferred by the leader or by the majority of the group.</p>	<p>and strategies across the insurance group. Therefore, there is no need to revise the text.</p>
227. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
<b>Q90 Comment on Paragraph 81 (previously 80)</b>				
228. Global Federation of Insurance Associations	Global	No	As stated above, there is an implication that for a Board to achieve adequate deliberation and exchange of ideas, conflict and/or dissent are necessary. There is no single measure of the amount of conflict necessary to allow a board to successfully fulfil its role.	The paragraph does not imply the need for conflict or dissent, but the need for independent thinking.
229. Institute of International Finance	Global	No	<p>For the same reason as described in our comments on Q89 (Paragraph 80), this paragraph should be redrafted as follows:</p> <p>Determining the existence of "groupthink" is not easy, (delete "In order to do so, the supervisor should consider different means of identifying "groupthink," such as" add "particularly for supervisors lacking the necessary training, experience and expertise.")</p>	Not agreed. Those aspects are covered, to a necessary extent, at the beginning of Section 9.
230. PCI	United States	No	As stated above, there is an implication that for a Board to achieve adequate deliberation and exchange of ideas, conflict and/or dissent are necessary. There is	See response to comment 228.

			no single measure of the amount of conflict necessary to allow a board to successfully fulfill its role.	
<b>Q91 Comment on Paragraph 82 (previously 81)</b>				
231. Insurance Europe	Europe	No	As per the comments provided above, Insurance Europe would strongly suggest that the participation of supervisors in Board meetings is neither appropriate nor efficient to avoid a "groupthink" tendency in Board meetings. The presence of a representative from the insurer's supervisor will in all likelihood influence the natural behaviour of the group and the debate and not enable the supervisor to assess the usual interaction and group dynamic. As mentioned in comment 84, supervisors should not use this tool in order to ensure their independence from the Board	See response to comment 212.
232. Global Federation of Insurance Associations	Global	No	As per the comments provided above, GFIA would strongly suggest that the participation of supervisors in Board meetings is neither appropriate nor efficient to avoid a "groupthink" tendency in Board meetings. The presence of a representative from the insurer's supervisor will in all likelihood influence the natural behaviour of the group and the debate and not enable the supervisor to assess the usual interaction and group dynamic. As mentioned in comment 84, supervisors should not use this tool in order to ensure their independence from the Board.  Interviews with Board members could also be burdensome and time-consuming.	See response to comment 212.
233. Institute of International Finance	Global	No	Supervisors should not be empowered to require insurers to make structural changes based on a concept ("groupthink") that is shrouded in ambiguity and which may be in conflict with other IAIS guidelines with respect to group corporate governance. Thus, we suggest "tendency in the following way" should be changed to "tendency by recommending consideration of the following." It should read as follows :  The supervisor may address challenges related to "groupthink" tendency (delete" in the following ways" add "by recommending consideration of the following:")	The wording has been revised to use a more precise language.
234. General Insurance	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.

Association of Japan				
236. PCI	United States	No	As per the comments provided above, the participation of supervisors in Board meetings is neither appropriate nor efficient to avoid a "groupthink" tendency in Board meetings. The presence of a representative from the insurer's supervisor will in all likelihood influence the behaviour of the group and the debate and deny the supervisor the ability to assess the usual interaction and group dynamic. Interviews with Board members could also be burdensome and time-consuming.	See response to comment 212.
<b>Q92 Comment on Paragraph 83 (previously 82)</b>				
237. Insurance Europe	Europe	No	As per comments provided on paragraph 57 above, it would be helpful to clarify the meaning of "independent members" of the Board in the last bullet point of paragraph 82.	See response to comment 152.
238. GDV - German Insurance Association	Germany	No	The proposal in Paragraph 82, third indent, to limit the term of office of a member of the Executive Board to a certain period has a counterproductive effect on the independence of the members of the Executive Board.	See response to comment 152.
239. Global Federation of Insurance Associations	Global	No	As per comments provided on paragraph 57 above, it would be helpful to clarify the meaning of "independent members" of the Board in the last bullet point of paragraph 82.	See response to comment 152.
240. ICMIF	UK	No	The presence of independent directors in Boards is not mandatory in all jurisdictions for all insurance undertakings. On the other hand, there is quite a debate on what it means to be independent. Independence is not only financial; HR specialists speak of independence of mind which can be assessed if a certain number of behavioural skills are active (and the Central Bank of Ireland has established a list of 7 criteria).	See response to comment 152.

241. PCI	United States	No	As per comments provided on paragraph 57 above, it would be helpful to clarify the meaning of "independent members" of the Board in the last bullet point of paragraph 82.	See response to comment 152.
<b>Q93 Comment on Paragraph 84 (previously 83)</b>				
242. Institute of International Finance	Global	No	<p>This Paragraph should clarify the fact that although "in some jurisdictions" supervisors can replace a Chair or CEO, the IAIS is not recommending that this practice be universally adopted. Thus, we suggest insertion of "Although not recommended as a best practice." It should read as follows:</p> <p>From a supervisory perspective, as mentioned under 4.1, the supervisor should highlight its expectations for the key roles and responsibilities of the Board and Senior Management. (add" Although not recommended as a best practice"), in some jurisdictions, the supervisor has the authority to remove a Chair or CEO and replace him/her with a more appropriate person.</p>	This is mentioned as one of the practices which are applied by some of the supervisors. It is up to supervisors to decide whether and how to apply good practices described in this Application Paper, depending on a particular case.
<b>Q94 Comment on Paragraph 85 (previously 84)</b>				
243. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
<b>Q95 Comment on Paragraph 86 (previously 85)</b>				
244. Insurance Europe	Europe	No	The scenario described in this paragraph should be specified to apply in jurisdictions where the positions of the Chair and CEO may not be combined.	This is implicit that it applies to insurers in which those two positions are not combined.
245. Global Federation of Insurance Associations	Global	No	The scenario described in this paragraph should be specified to apply in jurisdictions where the positions of the Chair and CEO may not be combined.	See response to comment 244.
246. General Insurance	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.

Association of Japan				
247. PCI	United States	No	<p>The scenario described in this paragraph should only apply in jurisdictions where the positions of the Chair and CEO may not be combined.</p> <p>It is entirely appropriate for a supervisor to review Board meeting minutes. However, unless there is a clear violation of corporate trust or indication of malfeasance, a supervisor should not be able to suspend, dismiss or disqualify an executive Chair, either directly or indirectly, by ordering the insurer to take such measures.</p>	<p>See response to comment 244.</p> <p>Not agreed.</p>
<b>Q96 General comments on Conclusion</b>				
248. ICMIF	UK	No	<p>As mentioned at several opportunities throughout the draft Application Paper, we believe a supervisor's main concern should be the formal aspects of a Board's composition and role. Regulation and corporate governance guidance provide them with indirect possibilities to intervene, even with regards to behavioural aspects, for example, through policies mentioned in paragraph 88, visits and reviews. Any additional regulatory requirements regarding the functioning of the Board would not be appropriate and would not benefit policyholders.</p>	<p>See responses to previous comments on this matter.</p>
<b>Q97 Comment on Paragraph 87 (previously 86)</b>				
<b>Q98 Comment on Paragraph 88 (previously 87)</b>				
<b>Q99 Comment on Paragraph 89 (previously 88)</b>				
249. Insurance Europe	Europe	No	<p>Insurance Europe believes that the IAIS could elaborate more throughout the application paper on some of the tools listed in the paragraph, eg succession policies, self-assessments, profile for new candidates, independent Board members, and information flows.</p>	<p>This is not the objective of the Application Paper to elaborate in details on how to address the situations or challenges since it will depend on a specific situation and also, there may be other ways to address them.</p>
250. Global Federation of	Global	No	<p>GFIA is of the view that the IAIS could elaborate more throughout the application paper on some of the tools listed in the paragraph, eg succession policies, self-</p>	<p>See response to comment 249.</p>

Insurance Associations			assessments, profile for new candidates, independent Board members, and information flows. The paper should also clarify that the supervisor may not dictate outcomes and that all tools should be applied only as appropriate and in a proportionate manner given the particular circumstances of the company and jurisdictional law.	See responses to general comments on application of the practices suggested in the Application Paper, the proportionality and jurisdictional law.
251. Institute of International Finance	Global	No	For the same reason as described in our comments on Q. 39 (Para. 35), the Paragraph should be revised as follows:  Regarding the formal aspects, supervisors could make use of supervisory requirements and off-site or onsite visits, while for the behavioural aspects on-site visits(add" and") dialogues (delete", interviews or observing Board meetings") may be more effective.	Not agreed.
252. General Insurance Association of Japan	Japan	No	Please refer to our comments on Q1 referring to the use of "should" and "may".	See response to comment 9.
253. PCI	United States	No	The Application Paper should clarify that the supervisor may not dictate outcomes and that particular tools should be applied only as appropriate given the particular circumstances of the company and jurisdictional law.	See responses to general comments on application of the practices described in the Application Paper, the proportionality and jurisdictional law.
<b>Q100 Comment on Paragraph 90 (previously 89)</b>				
254. Insurance Europe	Europe	No	As per comment provided above, Insurance Europe disagrees that observing Board meetings would be an appropriate or efficient tool to ensure Board functioning.	Not agreed. See responses to previous comments on this matter.
255. Global Federation of Insurance Associations	Global	No	As per the comment provided above, GFIA disagrees that observing Board meetings would be an appropriate or efficient tool to ensure Board functioning.	See response to comment 254.

256. PCI	United States	No	As per comment provided above, the trade associations disagree that observing Board meetings would be an appropriate or efficient tool to ensure Board functioning.	See response to comment 254.
<b>Q101 Comment on Paragraph 91 (previously 90)</b>				
257. Insurance Europe	Europe	No	Please refer to the comments made in respect of section 9 in response to the proposed tools in the context of behavioural aspects of the Board functioning.	Noted.
258. Global Federation of Insurance Associations	Global	No	Please refer to the comments made in respect of section 9 in response to the proposed tools in the context of behavioural aspects of the Board functioning.	Noted.
259. PCI	United States	No	Please refer to the comments made on Section 9 in response to the proposed tools in the context of behavioural aspects of the Board functioning.	Noted.
<b>Q102 Comment on Annex I</b>				
<b>Q103 Comment on Annex II</b>				