19 January 2004

Insurance Core Principles on Corporate Governance
(Note by the Chair, IAIS Technical Committee)

In October 2003, the International Association of Insurance Supervisors (IAIS) adopted revised Insurance Core Principles (ICPs) and an associated Assessment Methodology offering new guidance for the effective operation of supervisory systems around the world. The 28 core principles cover all aspects of a supervisory framework.

Since consideration of the governance and decision-making processes of insurance companies is a key component of insurance supervision, a core principle addresses corporate governance specifically, while several other core principles also impact directly on corporate governance.

The requirement to promote good corporate governance, both within and outside the financial services sector, is receiving increased international attention. The IAIS has therefore decided that it would be helpful to produce this compilation of the Insurance Core Principle on Corporate Governance and list of other relevant Insurance Core Principles, IAIS standards and guidance notably related to various corporate governance aspects, to provide a comprehensive set of regulatory and supervisory best practice on this issue.

These documents address both corporate governance requirements within insurers and methods used by supervisors to require compliance with all applicable corporate governance standards.

Insurance Core Principle on Corporate Governance (see Annex):

- ICP 9

Other Insurance Core Principles notably related to various Corporate Governance aspects (see Annex):

- Suitability of persons (ICP 7)
- Changes in control and portfolio transfers (ICP 8)
- Internal Controls (ICP 10)
- On-site inspections (ICP 13)
- Risk Assessment and risk management (ICP 18)
- Information, disclosure and transparency towards the market (ICP 26)

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Other IAIS principles, standards and guidance related to Insurance Core Principles and notably to various Corporate Governance aspects:
(All IAIS published documents can be found in the IAIS website www.iaisweb.org)

- Supervisory Standard No. 1. Supervisory Standard on Licensing *(Approved October 1998)*
- Supervisory Standard No. 2. Supervisory Standard on On-Site Inspections *(Approved October 1998)*
- Supervisory Standard No.3. Supervisory Standard on Derivatives *(Approved October 1998)*
- Supervisory Standard No.4. Supervisory Standard on Asset Management by Insurance Companies *(Approved December 1999)*
- Supervisory Standard No.7. Supervisory Standard on the Evaluation of the Reinsurance Cover *(Approved January 2002)*
- Supervisory Standard No 8: Standard on Supervision of Reinsurers (Approved October 2003)
- Principles No. 6. Principles on Minimum Requirements for Supervision of Reinsurers *(Approved October 2002)*
- Guidance Paper No 1. Guidance on Insurance Regulation and Supervision for Emerging Market Economies *(Approved September 1997)*
- Guidance Paper No. 3. Guidance Paper for Fit And Proper Principles and their Application *(Approved October 2000)*
- Guidance Paper No. 4. Guidance Paper on Public Disclosure by Insurers *(Approved January 2002)*
- Guidance Paper No 7: The Use of Actuaries as Part of a Supervisory Model (Approved October 2003)

Annex

The Insurance Core Principles and Methodology on Corporate Governance
(Extract from the Insurance Core Principles and Methodology adopted at the IAIS General Meeting, October 2003)

ICP 9	**Corporate governance** The corporate governance framework recognises and protects rights of all interested parties. The supervisory authority requires compliance with all applicable corporate governance standards.

Explanatory note

9.1. Insurers must be managed prudently. Corporate governance refers to the manner in which boards of directors and senior management oversee the insurers' business. It encompasses the means by which members of the board and senior management are held accountable and responsible for their actions. Corporate governance includes corporate discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. Timely and accurate disclosure on all material matters regarding the insurer, including the financial situation, performance, ownership and governance arrangements, is part of a corporate governance framework. Corporate governance also includes compliance with legal and regulatory requirements.

9.2. The board is the focal point of the corporate governance system. It is ultimately accountable and responsible for the performance and conduct of the insurer. Delegating authority to board committees or management does not in any way mitigate or dissipate the discharge by the board of directors of its duties and responsibilities. In the case of a policy established by the board, the board would need to be satisfied that the policy has been implemented and that compliance has been monitored. Similarly the board needs to be satisfied that applicable laws and regulations have been complied with. The responsibilities of the governing body must be consistent with the rules on governance structure established in the jurisdiction. Where the posts of chairman and chief executive are combined in one person, the supervisory authority will verify that appropriate controls are in place to ensure that management is sufficiently accountable to the board of directors.

9.3. In most jurisdictions corporate governance rules exist for general purpose corporations; these likely also apply to insurers. Often, however, it is necessary to establish additional requirements, through the insurance legislation, that deal with the matters of specific concern and importance to insurance supervisors. These matters are described in the criteria below. As the supervisory authority may not have the power to specify the details of general corporate governance rules or to enforce compliance, several criteria under this principle refer to the responsibility of the board of directors rather than requirements from the supervisory authority.

Essential criteria

a. The supervisory authority requires and verifies that the insurer complies with applicable corporate governance principles.

b. The board of directors:

- sets out its responsibilities in accepting and committing to the specific corporate governance principles for its undertaking. Regulations on corporate governance should be covered in general company law and/or insurance law. These regulations should take account of the size, nature and complexity of the insurer.
- establishes policies and strategies, the means of attaining them, and procedures for monitoring and evaluating the progress toward them. Adherence to the policies and strategies are reviewed regularly, and at least annually.
- satisfies itself that the insurer is organised in a way that promotes the effective and prudent management of the institution and the board's oversight of that management. The board of directors has in place and monitors independent risk management functions that monitor the risks related to the type of business undertaken. The board of directors establishes audit functions, actuarial functions, strong internal controls and applicable checks and balances.
- distinguishes between the responsibilities, decision-making, interaction and cooperation of the board of directors, chairman, chief executive and senior management. The board of directors delegates its responsibilities and establishes decision-making processes. The insurer establishes a division of responsibilities that will ensure a balance of power and authority, so that no one individual has unfettered powers of decision.
- establishes standards of business conduct and ethical behaviour for directors, senior management and other personnel. These include policies on private transactions, self-dealing, preferential treatment of favoured internal and external entities, covering trading losses and other inordinate trade practices of a non-arm's length nature. The insurer has an on-going, appropriate and effective process of ensuring adherence to those standards.
- appoints and dismisses senior management. It establishes a remuneration policy that is reviewed periodically. This policy is made available to the supervisory authority.
- collectively ensures that the insurer complies with all relevant laws, regulations and any established codes of conduct (refer to EC f).
- has thorough knowledge, skills, experience and commitment to oversee the insurer effectively (refer to ICP 7).
- is not subject to undue influence from management or other parties. The board of directors has access to information about the insurer, and asks and receives additional information and analyses that the board sees fit.
- communicates with the supervisory authority as required and meets with the supervisory authority when requested.
- sets out policies that address conflicts of interest, fair treatment of customers and information sharing with stakeholders, and reviews these policies regularly (refer to ICP 25).

c. Senior management is responsible for:

- overseeing the operations of the insurer and providing direction to it on a day-to-day basis, subject to the objectives and policies set out by the board of directors, as well as to legislation.
- providing the board of directors with recommendations, for its review and approval, on objectives, strategy, business plans and major policies that govern the operation of the insurer.
- providing the board with comprehensive, relevant and timely information that will enable it to review business objectives, business strategy and policies, and to hold senior management accountable for its performance.

Advanced criteria

d. The board of directors may establish committees with specific responsibilities like a compensation committee, audit committee or risk management committee.

e. The remuneration policy for directors and senior management has regard to the performance of the person as well as that of the insurer. The remuneration policy should not include incentives that would encourage imprudent behaviour.

f. The board of directors identifies an officer or officers with responsibility for ensuring compliance with relevant legislation and required standards of business conduct and who reports to the board of directors at regular intervals (refer to EC b).

g. When a "responsible actuary" is part of the supervisory process, the actuary has direct access to the board of directors or a committee of the board. The actuary reports relevant matters to the board of directors on a timely basis.

ICP 7 Suitability of persons

The significant owners, board members, senior management, auditors and actuaries of an insurer are fit and proper to fulfil their roles. This requires that they possess the appropriate integrity, competency, experience and qualifications.

Explanatory note

7.1. An important element of the supervision of insurers is the initial and on-going assessment of the fitness and propriety of an insurer's significant owners and key functionaries such as board members, senior management, auditors and actuaries. In the case of significant owners, fit and proper requirements relate to the persons and their financial soundness. A significant owner is defined as a person (legal or natural) that directly or indirectly, alone or with an associate, exercises control over the insurer (refer to ICP 8 EC a). The main responsibility for assessment of the fitness and propriety of key functionaries lies with the insurers themselves.

7.2. The supervisory authority should be satisfied that significant owners and key functionaries have the level of competence for their roles, and should ascertain whether they have the appropriate ability and integrity to conduct insurance business, taking account of potential conflicts of interests. Appropriate ability can generally be judged from the level of a person's professional or formal qualifications or relevant experience within the insurance and financial industries or other related businesses.

Essential criteria

a. Legislation identifies which key functionaries must meet fit and proper requirements. The key functionaries identified may differ depending on the legal form and governance structure of the insurer.

b. In cases where significant owners no longer meet fit and proper requirements, the supervisory authority must be able to take appropriate action, including requiring that the owners dispose of their interests.

c. The supervisory authority disqualifies the appointment of key functionaries including auditors and actuaries of insurers that do not comply with fit and proper requirements

d. The insurer should be required to demonstrate to the supervisory authority the fitness and propriety of key functionaries by submitting documentation illustrating their knowledge, experience, skills and integrity upon request, or where there are changes in key functionaries. The knowledge and experience required depends on the position and responsibility of the functionary within the insurer.

e. The supervisory authority exchanges information with other authorities inside and outside its jurisdiction where necessary to check the suitability of persons. The supervisory authority uses this information as an additional tool to effectively assess the fitness and propriety of, or to obtain information on, a key functionary of an insurer (refer to ICP 5).

f. The supervisory authority disallows actuaries, auditors, directors and senior managers, from simultaneously holding two positions in an insurer where this could result in a material conflict.

g. Where the insurer becomes aware of circumstances that may be relevant to the fitness and propriety of its key functionaries, it is required to notify the supervisory authority as soon as possible.

Advanced criteria

h. Criteria to assess the fitness and propriety of auditors' and actuaries' include qualifications, professional proficiency, appropriate practical experience and updated knowledge on developments within their profession and membership of professional bodies.

i. In the case of auditors and actuaries, the supervisory authority may give regard to or rely on professional bodies that set and enforce standards of professional conduct.

ICP 8	**Changes in control and portfolio transfers**
	The supervisory authority approves or rejects proposals to acquire significant ownership or any other interest in an insurer that results in that person, directly or indirectly, alone or with an associate, exercising control over the insurer. The supervisory authority approves the portfolio transfer or merger of insurance business.

Explanatory note

8.1. The supervisory authority must be able to grant or deny approval to a person (legal or natural) that wants to acquire significant ownership or a controlling interest in an insurer, whether directly or indirectly, alone or with an associate. The concepts of significant ownership or control should be defined in legislation.

8.2. Notification should be required for changes in ownership or control according to the percentages of an insurer's issued shares. These established percentages typically range between 5 and 10 percent. Where supervisory approval is required in addition to notification, specific thresholds (equal to or higher than those for notification) should be set.

8.3. The supervisory authority must require that the proposed owners have the resources to provide the minimum capital required as well as the ability to provide further capital or other support for the insurer when needed.

8.4. Owners should not expose the insurer to undue risks or hinder effective supervision. The supervisory authority should be satisfied about what constitutes an insurance group or conglomerate and which entities are considered to be part of such a group. The structure and risk profile of the group to which the insurer belongs should not damage the insurer's stability and solvency (refer to ICP 17).

8.5. Changes in control have an indirect effect on the contractual arrangements between insurer and policyholder, whereas a portfolio transfer will have a direct effect on this relationship. For this reason supervisory authorities should closely monitor portfolio transfers.

8.6. Insurance policies are legal contracts between an insurer and its policyholders. An insurer should not be able to unilaterally alter the terms of a contract by merging with another insurer, mutualising or demutualising or transferring some of its policy liabilities to another insurer. In order to protect the interests of policyholders, legislation should restrict the ability of insurers to transfer their policy liabilities. The supervisory authority must ensure that policyholders' reasonable benefit expectations and existing policy values will not normally be lessened as a result of liability transfer. This should apply whether the transfer involves a single policy or a portfolio or the transaction is considered a part of normal business, a merger or part of a winding-up procedure in a situation where the insurer is no longer financially viable or is insolvent (refer to ICP 16).

Changes in control

Essential criteria

a. The term "control" over an insurer is defined in legislation and it addresses:
   - holding of a defined number or percentage of issued shares or specified financial instruments (such as compulsory convertible debentures) above a designated threshold in an insurer or its intermediate or ultimate beneficial owner
   - voting rights attached to the aforementioned shares or financial instruments
   - power to appoint or remove directors to the board and other executive committees.

b. The supervisory authority requires that the potential controlling owners apply for approval for the acquisition, or change in control, of the insurers. The insurer must inform the supervisory authority of any acquisitions or changes in control.

c. The supervisory authority approves any significant increase in shareholdings above the predetermined control levels in an insurer by legal or natural persons, whether obtained individually or in association with others. This also applies to any other interest in that insurer or its intermediate or ultimate beneficial owners.

d. The requirements in criteria b and c above also refer to the acquisition or change of control where the intermediate or ultimate beneficial owner(s) of an insurer is (are) outside the jurisdiction where the insurer is incorporated. Supervision of changes in control may require coordination with supervisors in other jurisdictions (refer to ICP 5).

e. The supervisory authority must be satisfied that those seeking control meet the criteria applied during the licensing process. The requirements in ICP 7 – Suitability of persons – will apply to the prospective owners in control of insurers.

f. The supervisory authority requires that the structures of the financial groups containing potential controlling owners of insurers be sufficiently transparent so that supervision of the insurance group will not be hindered (refer to ICP 17).

g. The supervisory authority rejects applications of proposed owners to control insurers if facts exist from which it can be deduced that their ownership will be unduly prejudicial to policyholders. The supervisory authority should know who is the intended beneficial owner.

h. To assess applications for proposed acquisitions or changes in control of insurers the supervisory authority establishes requirements for financial and non-financial resources.

Advanced criteria

i. Upon request insurers provide the supervisory authority with information on their shareholders and any other person directly or indirectly exercising control. The supervisory authority determines the content and format of this information.

Portfolio transfer

Essential criteria

j. The supervisory authority requires that insurers get approval from the authority before they transfer all or any part of their insurance business.

k. The supervisory authority establishes requirements to assess insurers' applications to transfer all or any part of their insurance business.

l. The supervisory authority requires that the interests of the policyholders of both the transferee and transferor be protected when insurance business is transferred (refer to ICP 15 EC c).

ICP 10	**Internal control**
	The supervisory authority requires insurers to have in place internal controls that are adequate for the nature and scale of the business. The oversight and reporting systems allow the board and management to monitor and control the operations.

Explanatory note

10.1. The purpose of internal control is to verify that:

- the business of an insurer is conducted in a prudent manner in accordance with policies and strategies established by the board of directors (refer to ICP 9)
- transactions are only entered into with appropriate authority
- assets are safeguarded (refer to ICP 21)
- accounting and other records provide complete, accurate, verifiable and timely information
- management is able to identify, assess, manage and control the risks of the business and hold sufficient capital for these risks (refer to ICP 18 and 23).

10.2. A system of internal control is critical to effective risk management and a foundation for the safe and sound operation of an insurer. It provides a systematic and disciplined approach to evaluating and improving the effectiveness of the operation and assuring compliance with laws and regulations. It is the responsibility of the board of directors to develop a strong internal control culture within its organisation, a central feature of which is the establishment of systems for adequate communication of information between levels of management.

10.3. It is an essential element of an internal control system that the board of directors receive regular reporting on the effectiveness of the internal control. Any identified weakness should be reported to the board of directors as soon as possible so appropriate action can be taken.

Essential criteria

a. The supervisory authority reviews the internal controls and checks their adequacy to the nature and the scale of the business and requires strengthening of these controls where necessary. The board of directors is ultimately responsible for establishing and maintaining an effective internal control system.

b. The framework for internal controls within the insurer includes arrangements for delegating authority and responsibility, and the segregation of duties. The internal controls address checks and balances; e.g. cross-checking, dual control of assets, double signatures (refer to ICP 9 EC b).

c. The internal and external audit, actuarial and compliance functions are part of the framework for internal control, and must test adherence to the internal controls as well as to applicable laws and regulations.

d. The board of directors must provide suitable prudential oversight and establish a risk management system that includes setting and monitoring policies so that all major risks are identified, measured, monitored and controlled on an on-going basis. The risk management systems, strategies and policies are approved and periodically reviewed by the board of directors (refer to ICP 18).

e. The board of directors provides suitable oversight of market conduct activities.

f. The board of directors should receive regular reporting on the effectiveness of the internal controls. Internal control deficiencies, either identified by management, staff, internal audit or other control personnel, are reported in a timely manner and addressed promptly.

g. The supervisory authority requires that internal controls address accounting procedures, reconciliation of accounts, control lists and information for management.

h. The supervisory authority requires oversight and clear accountability for all outsourced functions as if these functions were performed internally and subject to the normal standards of internal controls.

i. The supervisory authority requires the insurer to have an on-going internal audit function of a nature and scope appropriate to the business. This includes ensuring compliance with all applicable policies and procedures and reviewing whether the insurer's policies, practices and controls remain sufficient and appropriate for its business.

j. The supervisory authority requires that an internal audit function:
   - has unfettered access to all the insurer's business lines and support departments
   - assesses outsourced functions
   - has appropriate independence, including reporting lines to the board of directors
   - has status within the insurer to ensure that senior management reacts to and acts upon its recommendations
   - has sufficient resources and staff that are suitably trained and have relevant experience to understand and evaluate the business they are auditing
   - employs a methodology that identifies the key risks run by the institution and allocates its resources accordingly (refer to ICP 18).

k. The supervisory authority has access to reports of the internal audit function.

l. The supervisory authority requires that actuarial reporting to the board and management where the appointment of an actuary is called for by applicable legislation or by the nature of the insurer's operations.

ICP 13 On-site inspection

The supervisory authority carries out on-site inspections to examine the business of an insurer and its compliance with legislation and supervisory requirements.

Explanatory note

13.1. Whether performed by the staff of the supervisory authority or other suitably qualified specialists, on-site inspection is an important part of the supervisory process, closely related to the off-site monitoring process. It provides information that supplements the analysis of the reporting to supervisory authorities sent by the insurer. On-site inspection, however, also needs the support of market information and statistics derived from the analysis of the annual accounts and returns.

13.2. Through on-site inspections the supervisory authority is able to verify or capture reliable data and information to assess and analyse an insurer's current and prospective solvency. On-site inspection enables the supervisor to obtain information and detect problems that cannot be easily obtained or detected through on-going monitoring. In particular, on-site inspections allow the supervisor to identify problems or irregularities in a range of areas, including asset quality, accounting and actuarial practices, internal controls (including those dealing with information technology and outsourcing), quality of underwriting (both the prudence of the underwriting policy and the effectiveness of its implementation in practice), valuation of technical provisions[1] , strategic and operational direction, reinsurance, and risk management.

13.3. On-site inspections enhance the supervisor's ability to assess the competence of the managers of insurers. It is also an effective way for supervisors to assess the management's decision-making processes and internal controls. It provides supervisors the opportunity to analyse the impact of specific regulations and, more generally, to gather information for benchmarking.

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[1] The term "technical provisions" is used throughout this document. Some jurisdictions use the term "policy liabilities" instead. The meaning is the same, i.e., amount set aside on the balance sheet to meet liabilities arising out of insurance contracts, including claims provision (whether reported or not), provision for unearned premiums, provision for unexpired risks, life assurance provision and other liabilities related to life insurance contracts (e.g. premium deposits, savings accumulated over the term of with–profit policies) (source: IAIS Glossary of Terms).

13.4. The criteria envisage that on-site inspection may be carried out in a manner that is either "full scale" or "on a focussed basis." Both forms of inspection need to be conducted by skilled staff that can evaluate and analyse the information that they obtain during the inspection. Usually the supervisory authority provides guidance on the scope and procedures for on-site inspections. However, staff performing inspections should use their investigative and technical skills when forming views about the information they obtain.

13.5. On-site inspection can assist in assessing the risks to which a firm is exposed. A full-scale on-site inspection includes, at a minimum, the following activities:

- evaluation of the management and internal control system
- analysis of the nature of the insurer's activities, e.g. the type of business written
- evaluation of the technical conduct of insurance business or an evaluation of the organisation and the management of the insurer, the commercial policy and the reinsurance cover and its security
- analysis of the relationships with external entities, such as through outsourcing or with respect to other companies in the same group
- assessment of the insurer's financial strength, notably the technical provisions
- evaluation of compliance with corporate governance requirements.

13.6.A full-scale on-site inspection of market conduct issues includes, at a minimum, the following activities:

- checking the sufficiency and adequacy of the information given to consumers
- reviewing the timing of payments
- reviewing the frequency and nature of litigation
- assessing observance of the market conduct standards and consumer regulations (refer to ICP 25 and 26).

13.7. Effective inspections may need to include access to outsourced service providers or other parties to ensure that the inspection adequately addresses insurers who transfer functions and information outside the company. Where another authority supervises the outsourced service provider supervisory actions should be coordinated (refer to ICP 5).

13.8. The frequency of on-site inspections will take account of the risk profile of the insurer as it appears from previous on-site inspections and off-site monitoring; an additional factor may be the relative importance of the insurer in the market.

Essential criteria:

a. By law, the supervisory authority has wide-ranging powers to conduct on-site inspections and gather information deemed necessary to perform its duties.

b. The supervisory authority, external auditors or other suitably qualified parties verify information in regulatory returns periodically through on-site inspections. Where parties other than the supervisory authority verify information, then arrangements for communication with the supervisory authority should be established.

c. The supervisory authority may conduct on-site inspections on either a full scale, or a focussed basis investigating areas of specific concern.

d. The supervisory authority promptly discusses findings and any need for corrective action with the insurer and obtains appropriate feedback from the insurer.

e. The supervisory authority follows up with the insurer to ensure that any required action has been taken.

f. The supervisory authority can extend on-site inspections to obtain information from intermediaries and companies that have accepted functions outsourced by the supervised insurer.

ICP 18	**Risk assessment and management**
	The supervisory authority requires insurers to recognise the range of risks that they face and to assess and manage them effectively.

Explanatory note

18.1. An insurer should identify, understand, and manage the significant risks that it faces. Effective and prudent risk management systems appropriate to the complexity, size and nature of the insurer's business should identify and measure against risk tolerance limits the risk exposure of the insurer on an on-going basis in order to indicate potential risks as early as possible. This may include looking at risks by territory or by line of business.

18.2. Some risks are specific to the insurance sector, such as underwriting risks and risks related to the evaluation of technical provisions. Other risks are similar to those of other financial institutions, for example market (including interest rate), operational, legal, organisational and conglomerate risks (including contagion, correlation and counter-party risks).

18.3. Supervisors play a critical role in the risk management process by reviewing the monitoring and controls exercised by the insurer. The supervisory authority develops prudential regulations and requirements to contain these risks. While the supervisor puts such requirements in place with the intention of ensuring enhanced practices by insurers, the ultimate responsibility for the development of best practices and the proper operation of the insurer must always rest with the board of directors.

Essential criteria

a. The supervisory authority requires and checks that insurers have in place comprehensive risk management policies and systems capable of promptly identifying, measuring, assessing, reporting and controlling their risks (refer to ICP 10 EC d).

b. The risk management policies and risk control systems are appropriate to the complexity, size and nature of the insurer's business. The insurer establishes an appropriate tolerance level or risk limit for material sources of risk.

c. The risk management system monitors and controls all material risks.

d. Insurers regularly review the market environment in which they operate, draw appropriate conclusions as to the risks posed and take appropriate actions to manage adverse impacts of the environment on the insurer's business.

Advanced criteria

e. Larger insurers establish a risk management function and a risk management committee.

ICP 26	**Information, disclosure & transparency towards the market**
	The supervisory authority requires insurers to disclose relevant information on a timely basis in order to give stakeholders a clear view of their business activities and financial position and to facilitate the understanding of the risks to which they are exposed.

Explanatory note

26.1. Public disclosure of reliable and timely information facilitates the understanding by prospective and existing stakeholders of the financial position of insurers and the risks to which they are subject, regardless of whether they are publicly traded or not.

26.2. Supervisory authorities are concerned with maintaining efficient, fair, safe and stable insurance markets for the benefit and protection of policyholders. When provided with appropriate information markets can act efficiently, rewarding those insurers that operate effectively and penalising those that do not. This aspect of market discipline serves as an adjunct to supervision.

26.3. Regular disclosure can facilitate the smooth functioning of the insurance markets. For example, when timely public disclosure exists market participants are less likely to overreact to negative information about an insurer.

26.4. Greater disclosure entails increased costs, which may be direct or indirect. For example, companies may experience a competitive disadvantage from increased disclosure of proprietary information. These costs must be weighed against the potential benefit of increased disclosure required by any standards.

26.5. The supervisory authority takes action, if necessary in coordination with other relevant bodies, to ensure effective and relevant disclosure.

Essential criteria

a. Insurers are required to disclose information on their financial position and the risks to which they are subject. Specifically, information disclosed should be:
- relevant to decisions taken by market participants
- timely so as to be available and up-to-date at the time those decisions are made
- accessible without undue expense or delay by the market participants
- comprehensive and meaningful so as to enable market participants to form a well-rounded view of the insurer
- reliable as a basis upon which to make decisions
- comparable between different insurers
- consistent over time so as to enable relevant trends to be discerned.

b. Information includes quantitative and qualitative information on:
- financial position
- financial performance

and a description of:
- the basis, methods and assumptions upon which information is prepared (and comments on the impact of any changes)
- risks exposures and how they are managed
- management and corporate governance.

c. Insurers are required to produce, at least annually, audited financial statements and make them available to stakeholders.

d. The supervisory authority monitors the information disclosed by insurers and takes the necessary actions to ensure the compliance with disclosure requirements.

Advanced criteria

e. Information includes quantitative information of relevant risk exposures.