

For Official Use**English - Or. English****21 November 2023****COUNCIL****Council****REPORT ON THE IMPLEMENTATION OF THE OECD
RECOMMENDATION ON GUIDELINES ON INSURER GOVERNANCE****(Note by the Secretary-General)****JT03532281**

1. This document presents, in its Annex, a Report by the Insurance and Private Pensions Committee (hereafter, IPPC or “the Committee”) on the implementation of the OECD Recommendation on Guidelines on Insurer Governance [[OECD/LEGAL/0335](#)] (hereafter, the “Recommendation”), including on the implementation of its substantive provisions, its dissemination and its continued relevance. The Report also includes conclusions on whether the Recommendation requires revision or whether further actions to support its dissemination and implementation are necessary.
2. The IPPC approved by written procedure on 16 November 2023 the Report and its transmission to Council to be noted and declassified [[DAF/AS/WD\(2023\)5/REV1](#)]. Following approval, minor adjustments were made in the Report, at the request of several Members, to the description of their domestic situation. The IPPC was informed of these adjustments [[DAF/AS/WD\(2023\)5/FINAL](#)]. Once declassified, it will be included in the [online Compendium of OECD legal instruments](#).

Background

3. In 2005, on the proposal of the Insurance Committee (now the IPPC), the Council adopted the *Recommendation on Guidelines for Insurers’ Governance* [[OECD/LEGAL/0335](#)]. The 2005 version of the Recommendation was developed in recognition of the fact that sound corporate governance is essential for prudent conduct and integrity on the part of insurers, and it was intended to capture the specificities of the governance of insurers and complement the *OECD Principles of Corporate Governance* (embodied in an OECD Recommendation in 2015 [[OECD/LEGAL/0413](#)]) (the “Principles”), which are the leading international standard on corporate governance.
4. In 2011, the Council adopted a revised *Recommendation on Guidelines on Insurer Governance*, [[C\(2011\)75](#)], building on the 2005 version of the Recommendation and introducing substantial revisions. The 2011 version of the Recommendation sought to reflect lessons learned from the financial crisis, including the need for a board with necessary leadership, expertise, and independent decision-making, effective risk management and internal control systems and integrated firm-wide reporting within an insurer, sound compensation arrangements, and well-understood group structures.
5. In 2017, following the first report by the IPPC on the implementation of the Recommendation [[C\(2015\)146](#) and [C\(2015\)146/CORR1](#)], further revisions were made to the Recommendation [[C\(2017\)108](#)]. These revisions were less substantial in nature in comparison with the changes made in 2011. Among the various revisions, the 2017 version of the Recommendation reflects the evolution of international guidance in the area, including revisions to the Principles and the IAIS Insurance Core Principles.
6. With the adoption of the revisions in 2017, the Council:
 - Invited Adherents and the Secretary-General to disseminate the Recommendation among public and private insurers;
 - Invited non-Adherents to adhere to the Recommendation; and,
 - Instructed the IPPC to exchange information on experiences with respect to the Recommendation, review that information, and report to the Council within five years and, as appropriate, thereafter.
7. Brazil became an Adherent to the Recommendation in 2019, joining all OECD Members.
8. The main substantive part of the Recommendation is relatively short. It recommends that Adherents invite public authorities and insurers to ensure a sound governance framework for insurers, having regard to the Guidelines on Insurer Governance (hereafter the “Guidelines”) which are set out in the Annex to the Recommendation of which they form an integral part.
9. The Guidelines provide a comprehensive set of principles that recognise the centrality of corporate governance for the soundness, integrity, and good conduct of insurers. They recognise that the governance

of insurers should be of a high standard and are a key component of the regulatory and supervisory framework. The Guidelines stress that insurer corporate governance should be comprised of the following key elements:

- Prudent approach to business and financial strategies, consistent with the role of insurance in the economy and, where relevant, social security systems;
- Well-developed risk culture and risk management and internal control systems, supported by effective and independent control functions;
- High level of financial expertise among board members and within senior management; and,
- Policies and procedures that ensure proper treatment of customers and policyholders (and any relevant beneficiaries), including mechanisms for redress.

10. The Guidelines reflect both industry good practices and regulatory expectations regarding the governance of insurers and other financial institutions. They are meant to provide guidance to the insurance sector itself and provide a reference point for policymakers and supervisory authorities, given the key role played by the regulatory framework in promoting sound insurer corporate governance. The Guidelines are organised around four main sections, with accompanying annotations: (i) governance structure; (ii) internal governance mechanisms; (iii) groups and conglomerates; and (iv) stakeholder protection. The Guidelines are structured in such a way as to promote clear presentation and facilitate comparability with other national or international standards and principles.

11. Since the adoption of the last set of revisions to the Recommendation in 2017, there have been a number of developments or ongoing issues that are relevant to insurer corporate governance (but also in many instances applicable to other financial institutions), for instance in relation to:

- Sustainable finance and disclosure of Environmental, Social and Governance (ESG) risks
- Climate risk management and climate risk disclosures
- Product governance and market conduct
- Digitalisation
- Diversity, equity, and inclusion
- Corporate culture
- Cyber security and operational resilience
- Claims management.

12. This Report responds to the request from the Council to exchange information on experiences with respect to the Recommendation and to report on its implementation, dissemination and continued relevance. The report was due in 2022. However, in view of the revision of the Principles, adopted by Council in 2023 [[C\(2023\)39](#)], a slight postponement was needed in order to take into consideration the revised Principles. Furthermore, from a resource perspective, substantial resources had been allocated in 2022 to the Report on the Implementation of the Recommendation on Disaster Risk Financing Strategies [[C\(2022\)166](#)] and proposed revisions [[DAF/AS/WD\(2022\)16](#)]. The preparation and delivery of the Report to the Council figures in the recently updated IPPC Standard-Setting Action Plan [[DAF/AS/WD\(2022\)20](#)].

Methodology and Process

13. The Report has been developed based on information collected from Adherents and stakeholders through two on-line survey questionnaires:

- A survey questionnaire for Adherents, which sought information on: the alignment of their legislation, regulation, and guidance with the content of the Guidelines; their awareness and dissemination of the Recommendation; their use of the Recommendation and its policy impact;

their view on its continued relevance and areas for improvement; and recent domestic initiatives on insurer governance and challenges with insurer governance in recent years.

- A survey questionnaire for stakeholders, notably insurance associations, which sought information on: recent initiatives on insurer governance; the level of awareness of the Recommendation; the scope for improvement; and recent domestic initiatives on insurer governance and challenges with insurer governance in recent years.

14. The survey questionnaires were circulated in February 2023, with responses received from 35 Adherents (hereafter also referred to as respondents). A proposed plan for developing the Report, including the draft survey questionnaires, was presented to the IPPC on 7-9 December 2022 [[DAF/AS/WD\(2022\)18](#)].

15. A **first draft** of the Report was shared with the IPPC for discussion at the IPPC meetings on 26-27 June 2023 and for written comments thereafter [[DAF/AS/WD\(2023\)5](#)]. A **second draft** of the Report incorporating comments received and further survey responses was circulated to the IPPC for approval by written procedure [[DAF/AS/WD\(2023\)5/REV1](#)].

16. The Report was approved by the IPPC on 16 November 2023 as well as its transmission to Council to be noted and declassified. Following approval, minor adjustments were made in the Report, at the request of several Members, to the description of their domestic situation. The IPPC was informed of these adjustments [[DAF/AS/WD\(2023\)5/FINAL](#)]. Following declassification, the report will be made available to the public on the [online Compendium of OECD legal instruments](#).

Summary and conclusions

17. The review of implementation has shown that Adherent practices are strongly aligned with the content of the Recommendation. The Recommendation is consistent with existing legislation, regulation, and guidance, including regional and other international guidance such as the European Union's (EU) Solvency II regulation and the International Insurance Association's (IAIS) Insurance Core Principles related to corporate governance. There is a good level of awareness of the Recommendation (moderate / high) but dissemination is low. Use and policy impact is mixed, owing in good part to the fact that, for a number of respondents, there is already well-established domestic regulation and/or regional regulation and other international guidance. That said, almost all respondents confirmed the continued relevance of the Recommendation.

Implementation

18. This Report finds that there is a high level of implementation of the Recommendation. The evidence for this conclusion is the high degree of alignment between the Recommendation including the Guidelines and domestic legislation, regulation, and/or guidance, as self-reported by those Adherents that responded to the survey.

19. In lieu of efforts to foster implementation in Adherents, which may have limited incremental benefit, further action going forward could instead be focussed on ensuring the continued relevance of the Guidelines, addressing any ongoing issues or emerging issues and challenges in relation to insurer governance, and enhancing awareness and dissemination of the Recommendation. Also, the IPPC and the Secretariat could encourage further non-Members to adhere to the Recommendation support those non-Members in the implementation of the Recommendation, where such support is sought.

Dissemination

20. While there are some examples of dissemination efforts, overall, dissemination efforts by Adherents and the Secretariat have been limited. Going forward, efforts to enhance dissemination could include, among other possible efforts:

- Supporting the dissemination of the webpage and booklet on the online Compendium of OECD Legal Instruments within Adherents and encourage Adherents to translate the Recommendation in their domestic language;
- Promoting dissemination of the Recommendation to non-Adherents, for instance through regional and global events organised by the OECD;
- Encouraging delegates to make national supervisors and their stakeholders more aware of the existence of the Recommendation and continuing to involve insurance associations and other stakeholders in any further work in this area (including possible revisions of the Recommendation); and,
- Considering opportunities to communicate on the Recommendation through social media.

Continued relevance

21. Most Adherents that responded to the survey questionnaire confirmed the continued relevance of the Recommendation. While there were some mixed views in the survey responses on the need for an update to the Recommendation, the Committee considered at its meetings on 26-27 June 2023 that it was important to verify the need for an update, given the recent revisions to the Principles, the concrete suggestions received from Adherents for improvement to the Recommendation, and recent initiatives on insurer governance. Therefore, based on the findings of this Report and further discussion, the IPPC will begin assessing, in 2024, the need for revisions to the Recommendation. If revisions are identified, the IPPC will return to the Council with a draft revised Recommendation for adoption by the Council.

22. If based on this evaluation the IPPC decides not to propose revisions to the Recommendation, given the already high level of implementation of the current version of the Recommendation, it would not be an efficient use of resources to ask the Committee to conduct another review of implementation in the next 5 years, as the results would likely be the same. Instead, the Council could invite the Committee to report back in 10 years on new developments related to the implementation and dissemination of the Recommendation focusing in particular on its continued relevance.

Proposed action

23. In light of the preceding, the Secretary-General invites the Council to adopt the following draft conclusions:

THE COUNCIL

- a) noted document [C\(2023\)168](#), in particular the Report set out in its Annex, and agreed to its declassification;
- b) encouraged Adherents to the Recommendation to:
 - i. enhance efforts to disseminate the Recommendation;
 - ii. address any ongoing or emerging challenges in insurer governance as identified in the conclusions of the Report;
- c) invited the Insurance and Private Pensions Committee to:

- i. support Adherents in addressing any ongoing or emerging challenges in insurer governance as identified in the conclusions of the Report;
- ii. report to the Council on further developments related to the implementation and dissemination of the Recommendation focusing on its continued relevance in 10 years.

Annex. Report on the Implementation of the OECD Recommendation on Guidelines on Insurer Governance

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1. Background

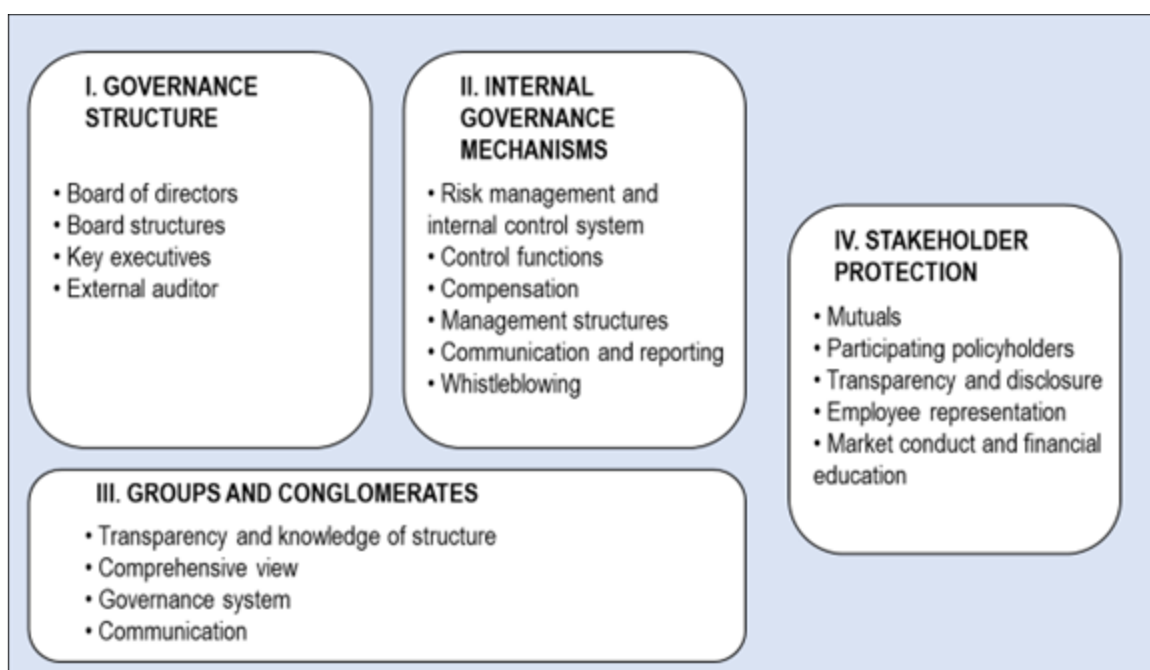
1. In 2005, on the proposal of the Insurance Committee (now the IPPC), the Council adopted the *Recommendation on Guidelines for Insurers' Governance* [[OECD/LEGAL/0335](#)] (hereafter the "Recommendation"). The 2005 version of the Recommendation was developed in recognition of the fact that sound corporate governance was essential for prudent conduct and integrity on the part of insurers. The 2005 version of the Recommendation [[C\(2005\)45](#)] was intended to capture the specificities of the governance of insurers and complement the *OECD Principles of Corporate Governance* (embodied in an OECD Recommendation in 2015 [[OECD/LEGAL/0413](#)]) (the "Principles"), which are the leading international standard on corporate governance.
2. In 2011, the Council adopted a revised *Recommendation on Guidelines on Insurer Governance*, [[C\(2011\)75](#)], building on the 2005 version of the Recommendation and introducing substantial revisions. The 2011 version of the Recommendation sought to reflect lessons learned from the financial crisis, including the need for a board with necessary leadership, expertise, and independent decision-making, effective risk management and internal control systems and integrated firm-wide reporting within an insurer, sound compensation arrangements, and well-understood group structures.
3. The revisions reflected work conducted with the International Association of Insurance Supervisors (IAIS) and the World Bank, involving a review of national and international good practices, a global survey questionnaire, and the production of a joint IAIS-OECD *Issues Paper on Corporate Governance* (2009). The revisions also involved the inclusion of relevant elements from the Principles, with a view to ensuring greater alignment with the Principles.
4. In 2017, following the report by the IPPC on the implementation of the Recommendation [[C\(2015\)146](#)] [[C\(2015\)146/CORR1](#)], further revisions were made to the Recommendation [[C\(2017\)108](#)]. These revisions were less substantial in nature in comparison with the changes made in 2011. Among the various revisions, the 2017 version of the Recommendation reflects the evolution of international guidance in the area, including revisions to the Principles and the IAIS Insurance Core Principles. Key updates related to: related party transactions at the group level; disclosure of policies relating to ethics, business conduct, conflicts of interest, and public policy commitments; disclosure on the roles of the Chair and CEO; recognition of employee representation; and promotion of diversity on boards.
5. With the adoption of the revisions in 2017, the Council:
 - Invited Adherents and the Secretary-General to disseminate the Recommendation among public and private insurers;
 - Invited non-Adherents to adhere to the Recommendation; and,
 - Instructed the IPPC to exchange information on experiences with respect to the Recommendation, review that information, and report to the Council within five years and, as appropriate, thereafter.
6. Brazil became an Adherent to the Recommendation in 2019, joining all OECD Members.
7. The main substantive part of the Recommendation is relatively short. It recommends that Adherents invite public authorities and insurers to ensure a sound governance framework for insurers, having regard to the Guidelines on Insurer Governance (hereafter the "Guidelines") which are set out in the Annex to the Recommendation of which it forms an integral part.

8. The Guidelines provide a comprehensive set of principles that recognise the centrality of corporate governance for the soundness, integrity, and good conduct of insurers. They recognise that the governance of insurers should be of a high standard and are a key component of the regulatory and supervisory framework. The Guidelines stress that insurer corporate governance should be comprised of the following key elements:

- Prudent approach to business and financial strategies, consistent with the role of insurance in the economy and, where relevant, social security systems;
- Well-developed risk culture and risk management and internal control systems, supported by effective and independent control functions;
- High level of financial expertise among board members and within senior management; and,
- Policies and procedures that ensure proper treatment of customers and policyholders (and any relevant beneficiaries), including mechanisms for redress.

9. The Guidelines reflect both industry good practices and regulatory expectations regarding the governance of insurers and other financial institutions. They are meant to provide guidance to the insurance sector itself and provide a reference point for policymakers and supervisory authorities, given the key role played by the regulatory framework in promoting sound insurer corporate governance. The Guidelines are organised around four main parts, with accompanying annotations (see Figure 1 below): (i) governance structure; (ii) internal governance mechanisms; (iii) groups and conglomerates; and (iv) stakeholder protection. The Guidelines are structured in such a way as to promote clear presentation and facilitate comparability with other national or international standards and principles.

Figure 1. Structure and content of the Guidelines



10. The Guidelines are consistent and compatible with the Principles, one of the twelve key Financial Stability Board (FSB) standards for sound financial systems. The Guidelines are included in the FSB's Compendium of Standards. They are also consistent with the IAIS standards on insurer corporate governance, specifically the IAIS insurance core principles (ICPs) on Corporate Governance (ICP 7) and

Risk Management and Internal Controls (ICP 8). These ICPs, first elaborated in 1998, establish minimum supervisory requirements for insurer governance.

11. Since the adoption the last set of revisions to the Recommendation in 2017, there have been a number of developments or ongoing issues that are relevant to insurer corporate governance (but also in many instances applicable to other financial institutions), for instance in relation to:

- Sustainable finance and disclosure of Environmental, Social and Governance (ESG) risks
- Climate risk management and climate risk disclosures
- Product governance and market conduct
- Digitalisation
- Diversity, equity, and inclusion
- Corporate culture
- Cyber security and operational resilience
- Claims management.

12. This Report responds to the request from the Council to exchange information on experiences with respect to the Recommendation and to report on the implementation, dissemination and continued relevance of the Recommendation. The preparation and delivery of the Report to the Council figures in the recently updated IPPC Standard-Setting Action Plan [[DAF/AS/WD\(2022\)20](#)].

2. Methodology

13. The Report has been developed based on information collected from Adherents and stakeholders through two on-line survey questionnaires:

- A survey questionnaire for Adherents, which sought information on: the alignment of their legislation, regulation, and guidance with the content of the Recommendation (and in particular the Guidelines); their awareness and dissemination of the Recommendation; their use of the Recommendation and its policy impact; their view on its continued relevance and areas for improvement; and recent domestic initiatives on insurer governance and challenges with insurer governance in recent years.
- A survey questionnaire for stakeholders, notably insurance associations, which sought information on: the level of awareness of the Recommendation; the scope for improvement; and recent domestic initiatives on insurer governance and challenges with insurer governance in recent years. As the Guidelines in the Annex to the Recommendation are directed to both governments and the insurance sector, it was deemed important to consult with the sector.

14. The survey questionnaires were circulated in February 2023, with responses received from 35 Adherents. Responses have been received from Australia, Austria, Belgium, Brazil, Canada, Chile, Colombia, Costa Rica, Czechia, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Lithuania, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Switzerland, Türkiye, the United Kingdom, and the United States. In addition, eleven insurance associations responded to the survey questionnaire for stakeholders, as did the World Bank.

15. For the Adherents, the observed level of alignment (and thus implementation) was self-assessed by respondents to the survey questionnaire. Furthermore, respondents were asked to assess alignment across entire sections and (where applicable) sub-sections within each part of the Guidelines. Thus the self-assessment was conducted for a grouping of paragraphs within the Guidelines – hence at a general level - - as opposed to a self-assessment against each and every paragraph of the Guidelines. This approach allowed for the development of an aggregate, general picture of the state of implementation and of insurer governance more broadly.

16. In undertaking their self-assessments on the alignment of domestic legislation, regulation, and guidance with the Guidelines, many respondents provided details on their legislation, regulation, and guidance and described recent initiatives. This information helped to corroborate the self-reported level of implementation of the Guidelines. As the level of supporting background detail in many responses was quite high, the Secretariat decided to include details only on initiatives undertaken since the 2017 revisions to the Guidelines in order to keep the length of the report manageable. Earlier insurer governance initiatives may have already been captured in the last report on implementation [[C\(2015\)146](#) and [C\(2015\)146/CORR1](#)] and also through the earlier IAIS-OECD-World Bank work.

3. Implementation

17. The Recommendation recommends that “Members and non-Members having adhered to this Recommendation (hereafter the “Adherents”) invite public authorities and insurers to ensure a sound governance framework for insurers, having regard to the Guidelines on Insurer Governance which are set out in the Annex to this Recommendation of which it forms an integral part.” The review of implementation that follows seeks to assess the overall level of implementation. In order to ensure a systematic and structured approach, it follows the four-part structure of the Guidelines. As will be seen below, there is a high degree of implementation of the Recommendation, given the strong level of alignment of Adherents’ domestic legislation, regulation, and/or guidance on insurer corporate governance with the Guidelines that are integral to the Recommendation.

18. This high level of alignment reflects the fact that legislation, regulation, and guidance relating to insurer governance are already well established – and advanced -- across Adherents. For instance, in the European Union (EU), the introduction of Solvency II regulation in 2009 required EU Member States to ensure (if not already required) that insurers had effective systems of governance, including a clear organisational structure with a clear allocation and appropriate segregation of responsibilities, fit and proper requirements, effective risk management, internal control and information management systems, and internal audit and actuarial functions. This regulation was supplemented in 2014 with the (non-binding) [EIOPA Guidelines on Systems of Governance](#). It should be recognised that, in many jurisdictions, ensuring sound corporate governance has long been a key element of the prudential regime, and has only grown in importance with the shift to risk-based capital regulation and supervision, where sound governance is a key line of defence.

19. Furthermore, the level of alignment reflects the fact that the Guidelines, when they were revised substantially in 2011, incorporated “the state of the art” in terms of good practices in insurer governance. The good practices were identified through the earlier joint IAIS-OECD-World Bank work, the IAIS Insurance Core Principles on Corporate Governance (ICP 7) and Risk Management (ICP 8), and other relevant sources such as the Basel Committee’s Corporate Governance Principles for Banks.

Governance structure

20. The first part of the Guidelines relates to the governance structure of insurers. The Guidelines state that insurers should establish an appropriate allocation of oversight and administrative responsibilities, stipulating and delineating the duties, responsibilities, and qualifications of persons having responsibilities, while ensuring the protection of the rights of shareholders (or member-policyholders) and of the interests of policyholders. Key components of the governance structure include:

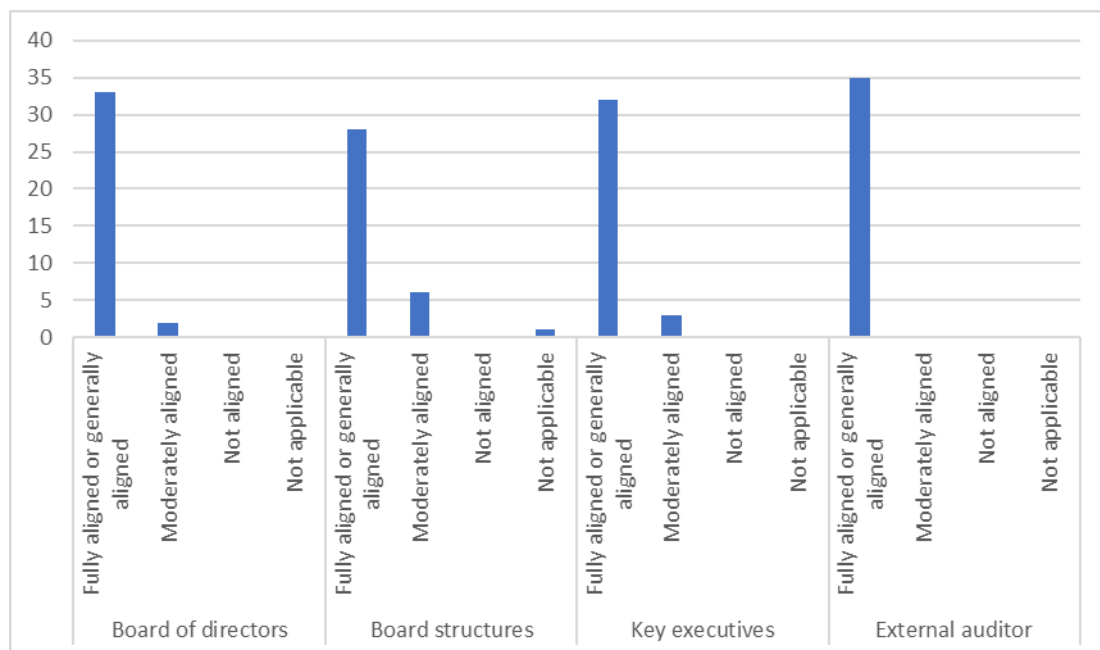
- (i) *Board of directors*, which plays a central role in insurer decision-making and thus in its governance structure;
- (ii) *Board structures*, or committees of the board, established as appropriate to improve the effectiveness, efficiency, quality, and independence of board decision-making;
- (iii) *Key executives*, the senior management cadre who provide the interface between the board and the insurer’s operations and are essential for effective implementation of board policies and decisions; and,
- (iv) *External auditor*, whose primary role is to provide assurances regarding financial reporting.

21. For each of these sections relating to the governance structure, the Guidelines provide specific guidance. For example, for the board of directors, key executives, and the external auditor, the Guidelines outline their respective key duties and responsibilities, requirements for fitness and propriety, the selection process, and expectations on reporting and accountability – and for board of directors and the external auditor, guidance regarding their independence as well. The Guidelines also provide direction on the creation of committees within the insurer, for instance regarding the mandate, authority, and responsibilities of committees, their independence, and reporting to the board, to ensure that such structures serve to improve the effectiveness, efficiency, quality and independence of board decision-making, and enhance the oversight and governance of the insurer.

22. The responses to the survey questionnaire reveal that domestic legislation, regulator, and/or guidance in Adherent countries is strongly aligned with the Guidelines in respect of insurer governance structure. Figure 2 (see below) shows that, in regard to the board of directors, key executives, and the external auditor, all or almost all respondents indicated full or general alignment with the Guidelines. Regarding board structures, a few respondents (6 out of 35) indicated that they were moderately aligned with the Guidelines. For instance, in a few Adherent countries, insurers may establish committees if they so wish, but they – or a subset of insurers (e.g. small to medium-sized insurers, non-publicly traded insurers, certain types of insurance companies) – are not required to do so.

Figure 2. Governance structure

Alignment of legislation, regulation, or guidance with the Guidelines



Source: OECD survey questionnaire

23. Examples of initiatives on governance structure since 2017 include:

- In Canada, in 2018, the federal prudential supervisor (the Office of the Superintendent of Financial Institutions or “OSFI”) published an updated [Corporate Governance Guideline](#) applicable to federally regulated financial institutions, including federally regulated insurers. Key changes include: (i) providing boards with greater discretion over how they meet the principles of the Guideline, taking into account their institutions’ size, complexity, and risk profile; (ii) clarifying

the delineation between board and senior management responsibilities; and (iii) consolidating and rationalising all OSFI requirements for boards in one guideline. The revised Guideline is more principles-based and places greater focus on Board effectiveness. In relation to governance structure, the Guideline defines the role and responsibilities of the board, sets out expectations of board effectiveness (including on board composition and the independence of board members), and imposes requirements for the establishment of certain board committees, notably a risk committee and an audit committee.

- In Costa Rica, over the last five years, the insurance supervisor (SUGESE) has made efforts, in cooperation with other financial supervisors, to strengthen corporate governance frameworks. For instance, through the National Council of Supervision of the Financial System (CONASSIF), the [regulation on corporate governance](#), applicable to all financial institutions, was amended in May 2022 to reinforce the elements that guarantee the independent status and objective judgements of the independent members of the board. At the same time, a new [regulation on the suitability and performance of the members of the board of directors and senior management of supervised entities and companies](#) was introduced to establish suitability and performance standards for board directors and senior managers of supervised entities, controlling companies, and companies that are members of financial groups and conglomerates. Finally, the [regulation on external auditors](#) was updated in November 2021 to align it with international standards.
- In France, the French regulator (ACPR) published in December 2022 [instructions](#) on the designation of effective managers and key functions in Solvency II, given guidance provided by EIOPA. Among other matters, the instructions set out the process for the nomination of these persons as well as criteria regarding their expected fitness and propriety, with specific criteria as well for the specific functions (e.g. risk management, internal audit, actuarial, and compliance).
- In Ireland, following enactment of the [Central Bank \(Individual Accountability Framework\) Bill 2022](#), the Central Bank launched in 2023 a [three-month consultation](#) on key aspects of the implementation of the Individual Accountability Framework (IAF), including the publication of draft [regulations](#) and [guidance](#). The draft regulations and guidance seek to provide clarity in terms of the Central Bank's expectations for the implementation of three aspects of the framework: the Senior Executive Accountability Framework (SEAR), the Conduct Standards, and certain aspects of the enhancements to the Fitness & Probity regime (further details available [here](#)).
- In Portugal, [Regulation Standard no. 4/2022-R](#) and [Regulation Standard no. 7/2022-R](#) were introduced on the system of governance of insurers: the former standard covers all matters related to the system of governance (not just governance structure) while emphasising the responsibilities of the administrative, management, or supervisory board (AMSB);¹ the latter establishes the way in which matters related to insurer market conduct should be included in the system of governance. In February 2023, through a circular from the supervisor (ASF), [Guidelines](#) on the assessment and authorisation on the taking-up of regulated functions such as AMSB, external auditor, key functions, and senior management were introduced.
- In Türkiye, amendments have been made to the [regulation on internal systems in the insurance and private pension sectors](#) in order to strengthen corporate structures and internal risk management systems, internal controls, and control functions.² First, the duties of the board of directors are clearly defined. Second, an audit committee (consisting of independent board members) must be established as a sub-committee of the board. This committee is responsible for overseeing the compliance, risk management, actuarial, and internal audit units. Detailed membership criteria have been established in order for the committee to carry out its independent and impartial

¹ See Cuatrecasas (2022) for a [review](#) of the Standard in English.

² See [SRP Legal \(2021\)](#) and [Gide \(2022\)](#) for an overview of the regulation on internal systems in the insurance and private pensions sectors, in English.

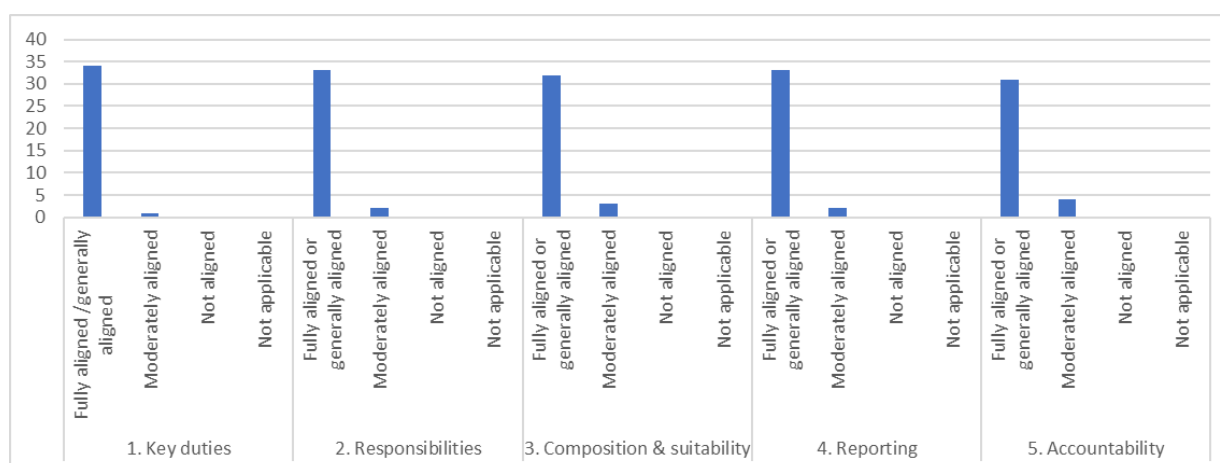
oversight activities, avoid conflicts of interest, and have the necessary professional qualifications. The above-noted units have been removed from the hierarchy of the senior management in order to strengthen the institutional structure and ensure independence in the duties of the internal control functions.

Boards of directors

24. Consistent with the finding of a high degree of alignment with the Guidelines for the section on boards of directors (see Figure 2 above), the more granular self-assessments against each of the sub-sections within this particular section demonstrated an almost equally high level of alignment (see Figure 3 below). Regarding composition and suitability, one respondent noted that while there are general supervisory expectations in this area, there are no explicit requirements for collective board expertise, background or education, or number of independent directors of the board. A few respondents noted that there was no requirement for the board to comprise a majority of independent directors. For instance, in one Adherent, regulation requires only that forty percent of the members of a board be independent; for non-public insurers, there is no minimum requirement. One respondent indicated that the establishment of a board of directors is a requirement only for publicly-held companies, which is not the case for many of the supervised entities.

Figure 3. Sub-section: Board of directors

Alignment of legislation, regulation, or guidance with the Guidelines



Source: OECD survey questionnaire

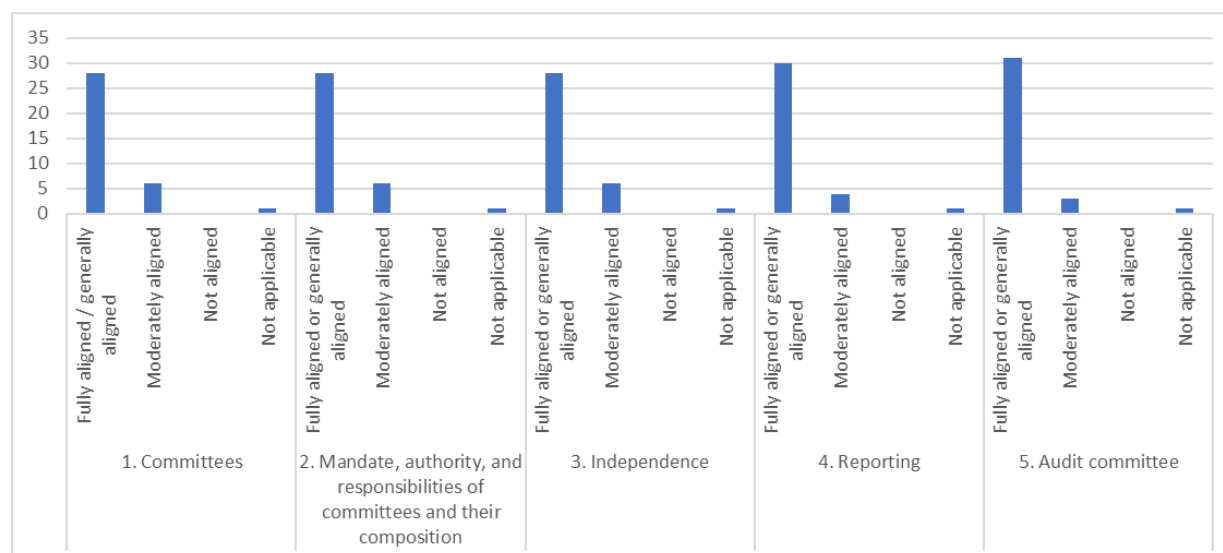
Board structures

25. For Board structures, the finding of a high degree of alignment was also found in the more granular self-assessments against each of the sub-sections, although the degree of alignment was slightly less than in the other sections (see Figure 4 on next page). As noted earlier, a few respondents indicated that insurers (or certain subsets of insurers) were not required to establish committees and thus could decide themselves if such structures were needed. Others noted that while one or two committees, such as an audit and/or remuneration committee, need to be established, there were otherwise no further requirements for the establishment of committees. In practice, however, board committees were being established. Regarding independence of decision-making within board committee. Brazil indicated that, in 2021, a resolution was introduced ([CNSP Resolution No. 416/2021](#) on Rules and criteria providing for companies' internal controls system, risk management framework, and internal audit activity) that contained several advances

in insurer governance, one of which was a requirement for the establishment of a risk committee reporting to the board of directors (with smaller insurers being exempted, in which case the duties are to be performed by the director responsible for internal controls (Demarest, 2021^[11])).

Figure 4. Sub-section: Board structures

Alignment of legislation, regulation, or guidance with the Guidelines



Source: : OECD survey questionnaire

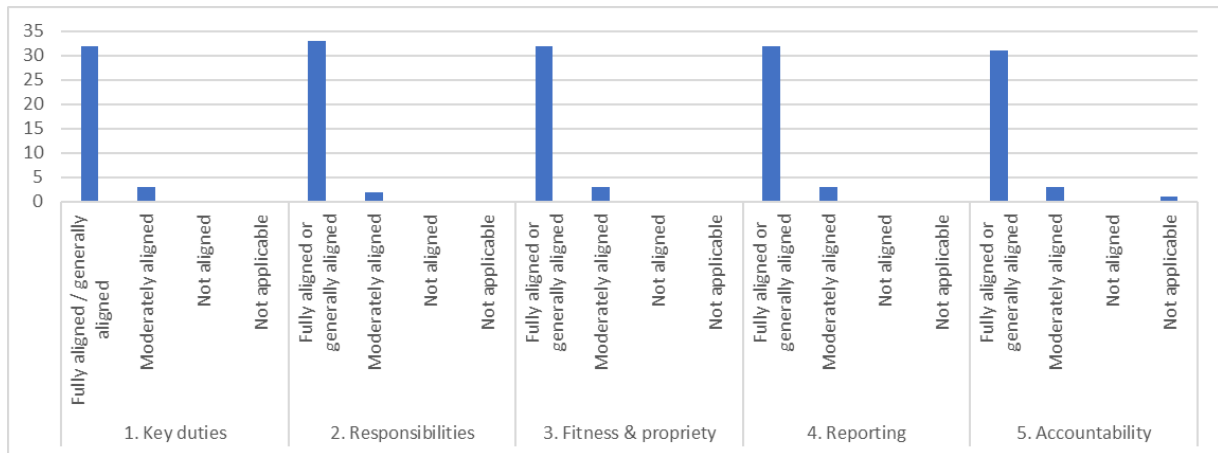
Key executives

26. For key executives, the high level of alignment was also reflected in the self-assessments against the sub-sections in this section (see Figure 5 on next page). Among those who reported that they were moderately aligned, one respondent indicated that reliance is placed on individual insurers to develop appropriate policies, practices and procedures in the area; meanwhile, the other respondent reported that while guidelines for senior management are not fully incorporated into its standard on principles of corporate governance and risk management and internal controls for insurers and reinsurers, there is currently legislation that seeks, amongst other things, to strengthen the corporate governance of insurers by reinforcing the suitability of their executives.

27. As an example of an initiative in this area, in the UK, the Senior Managers and Certification Regime (SM&CR), launched in 2016 to promote individual responsibility and accountability, was implemented for insurers from December 2018 onwards. The SM&CR promotes the safety and soundness of regulated financial services firms and financial stability by strengthening the link between seniority and accountability, seeking to address the perception that some senior bankers avoided accountability following the financial crisis. The SM&CR requires firms covered by the regime to identify and set out the responsibilities of their most senior decision-makers, who are accountable for actions falling within their area of responsibility. The SM&CR, and its extension in full to insurers, is covered by [Supervisory Statement \(SS\) 35/15 Strengthening individual accountability in insurance](#) and the [PRA Rulebook, Solvency II Senior Managers Regime](#). A [call for evidence](#) was recently organised seeking to understand stakeholders' views on the functioning of the SM&CR and to identify ways to improve the regime.

Figure 5. Key executives

Alignment of legislation, regulation, or guidance with the Guidelines



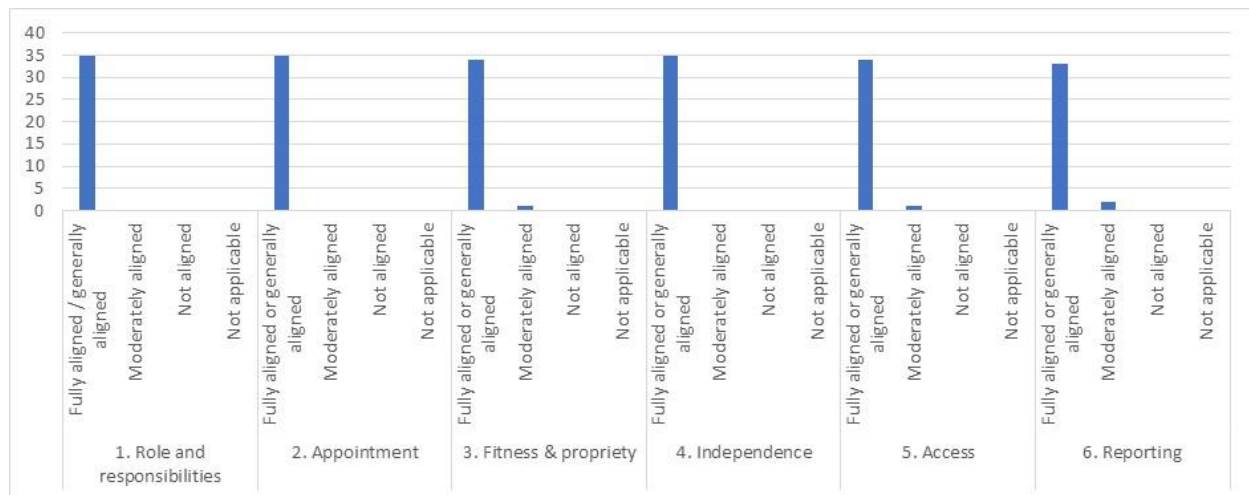
Source: OECD survey questionnaire

External auditor

28. As can be seen from Figure 6 (see below), regarding the external auditor, respondents are highly aligned across each of the sub-sections. One of the respondents who reported “moderately aligned” (for access of the external auditor to relevant staff in the insurer and for reporting to the board or audit committee) indicated that relevant domestic auditing standards and international reporting standards addressed any gaps in domestic legislation.

Figure 6. Sub-section: external auditor

Alignment of legislation, regulation, or guidance with the Guidelines



Source: OECD survey questionnaire

Conclusion

29. Based on responses received, domestic legislation, regulation, and/or guidance is strongly aligned with the Guidelines in respect of governance structure. While a number of respondents have used the Guidelines as a reference to support reforms to improve the governance structure of insurers, others have not done so; regardless of their use or not, it appears that the elements found in the Guidelines in this area are reflected to a large extent in domestic regulation and guidance (or in the EU, in EU regulation and guidance, such as the EIOPA Guidelines, which have been adopted by EU Member States).

Internal governance mechanisms

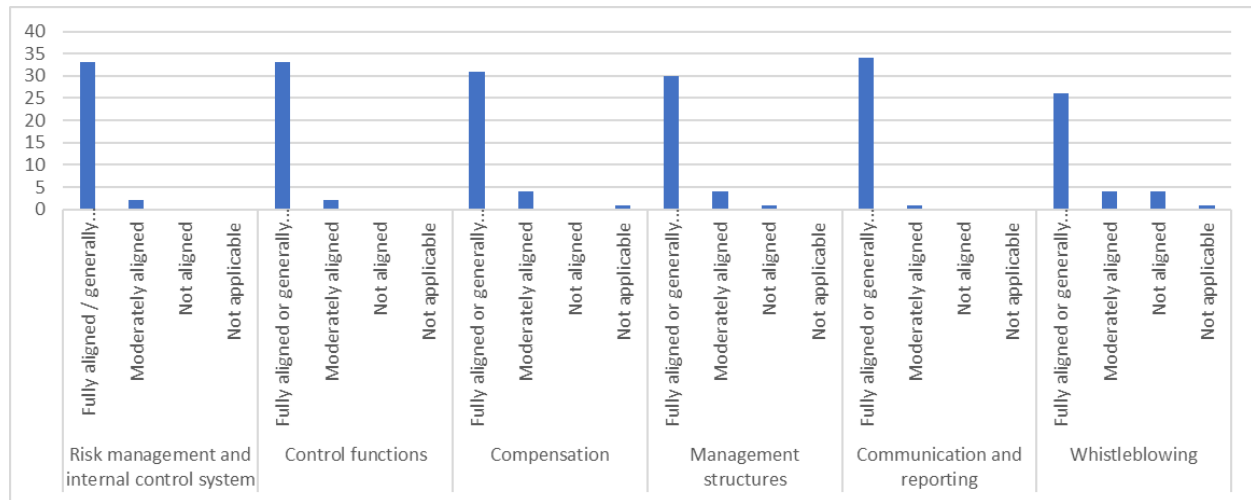
30. The second part of the Guidelines addresses internal governance mechanisms, which refer to strategies, policies, procedures, processes, and internal organisational structures that enable the insurer to operate effectively and efficiently, manage risks, and achieve strategic and operational objectives. These mechanisms include:

- (i) *Risk management and internal control system*, aimed at the identification, monitoring, and mitigation of risks and adherence to board strategies and policies;
- (ii) *Control functions* (or internal oversight functions), with dedicated expert staff to implement board policies on governance, risk management, internal controls, financial reporting, and compliance;
- (iii) *Compensation practices*, designed to ensure the alignment of director and employee interests with the interests of the insurer, and the promotion of good conduct toward consumers and of sound governance, risk management, and compliance more generally;
- (iv) *Management structures*, such as management committees, to support implementation of board policies, coordinate decision-making, promote information flows, and gather relevant expertise;
- (v) *Communication and reporting*, both across the organisation and vertically, including with the board; and,
- (vi) *Whistleblowing* mechanisms, allowing employees, management, and outside stakeholders to bring matters to the attention of the board or, as necessary, external parties (e.g., supervisory authorities) with respect to inappropriate actions or behaviours, and receive adequate protections.

31. As can be seen from Figure 7 (see next page), there is a strong alignment of domestic (or regional) legislation, regulation, or guidance in Adherents with the main elements of internal governance mechanisms, with many respondents providing details on, or references to, their rules or guidance. From the responses received, it appears that domestic legislation, regulation, and/or guidance on internal governance mechanisms has been in place for some time and is well established and well articulated, with few recent initiatives noted (see below).

Figure 7. Internal governance mechanisms

Alignment of legislation, regulation, or guidance with the Guidelines



Source : OECD survey questionnaire

32. Almost all respondents indicated full or general alignment with the Guidelines pertaining to risk management and internal control systems, control functions, and communications and reporting, while most indicated full or general alignment with regard to compensation practices and management structures. One respondent who reported being moderately aligned indicated that while explicit requirements on internal governance mechanisms exist for larger insurers, smaller insurers are subject to more general standards and ongoing supervisory monitoring, with these insurers held accountable in relation to control functions, management structures, and reporting and communication. For whistleblowing, the level of alignment was lower, with 9 out of the 35 respondents indicating that they were moderately aligned or not aligned (or not applicable), with a number of respondents reporting that no specific protections were in place. Some EU respondents indicated that the EU Directive (2019/1937) on the protection of persons who report breaches of Union law was currently being transposed into domestic law. One respondent noted that while there are no explicit requirements for whistleblowing programmes and protections in regulation, they are referred to as a sound practice in the supervisory handbook. Another respondent noted that while no definition of whistleblowing is explicitly provided, its regulation provides for the possibility of disclosing all the problems or risks by forwarding them to the relevant key function holder / governance body, committee or other control function holders (internal whistleblowing).

33. Regarding the control functions, there is a high level of self-assessed alignment with each of the sub-sections, i.e. on general matters concerning control functions (e.g. their constitution, independence, and effectiveness) and on the key control functions, namely risk management, actuarial activities, compliance, and internal audit (see Figure 8 on next page). One respondent who reported being moderately aligned noted some gaps in terms of the requirement to notify the supervisor of the resignation or dismissal of actuaries, their fitness and propriety, and external reporting, since the requirements of the Guidelines are broader than what is provided for in regulation. Another respondent indicated that while the actuarial function is not regulated as a control function as such, the elements are partially recognised in the requirements for the responsible actuary and the independent actuarial audit.

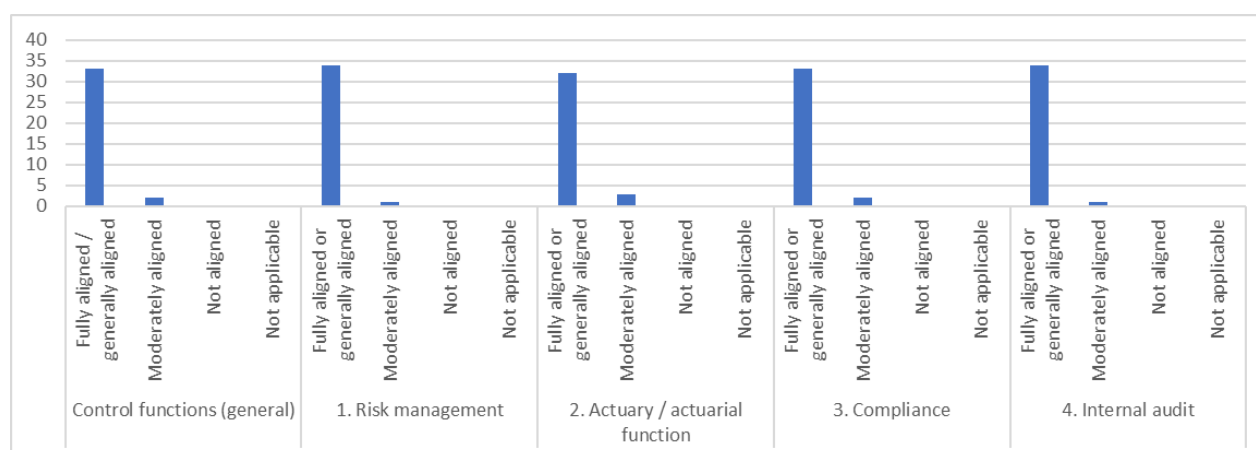
34. Examples of recent initiatives (since 2017) on internal governance mechanisms include:

- In Australia, in March 2023, the Australian Securities and Investments Commission (ASIC) published a report on [Good practices for handling whistleblower disclosures](#) based on good practices observed from a review of a number of entities' whistleblower programs from a cross-

section of industries. ASIC found that programs with thoughtful and well-publicised arrangements for protecting whistleblowers and handling disclosures received useful reports and tip offs about concerns and issues in the workplace, allowing for concerns and issues to be identified and addressed at an early stage. Strong whistleblower programmes: (i) established a strong foundation for the program – for example, through procedures and systems to embed the program’s requirements; (ii) fostered a culture and practices to support whistleblowers; (iii) informed and trained those involved in receiving or handling disclosures about protecting whistleblowers and treating material confidentially; (iv) monitored, reviewed, and improved the program, including seeking feedback from whistleblowers; (v) used information from disclosures to address underlying harms and improve company performance; (vi) embedded senior executive accountability for the program; and (vii) created frameworks to entrench effective director oversight. Directors have a key role in ensuring their company’s whistleblower program is useful and effective.

Figure 8. Sub-section: Control functions

Alignment of legislation, regulation, or guidance with the Guidelines



Source: OECD survey questionnaire

- In Brazil, a resolution ([CNSP Resolution No. 416/2021](#) on Rules and criteria providing for companies’ internal controls system, risk management framework, and internal audit activity) was introduced in 2021 that contained several advances in insurer governance, such as: (i) the requirement for a compliance policy and a compliance unit (compliance control function) linked to the director responsible for internal controls; (ii) the replacement of the risk manager by a risk management unit linked to the director responsible for internal controls; (iii) specification of requirements for the internal audit activity and the internal audit unit; and, as already noted above, (iv) the need for a risk committee reporting to the board of directors.
- In Hungary, the supervisor (the central bank or Nemzeti Bank) issued a recommendation ([No. 12/2022 \(VIII.11.\)](#)) on the establishment and operation of internal defence schemes, governance, and control functions of financial institutions. This recommendation also provides relevant expectations and “best practices” for financial institutions.
- In Latvia, the regulation on the system of governance was amended in 2021 with additional requirements specific to credit risk management and loans management. Regulations set out requirements for loans issued by insurance undertakings, including requirements for: management of credit risk and other risks related to loans; continuous governance of loans; evaluation of loans,

creditworthiness of the borrower, and collateral; persons responsible for granting and monitoring of the loan; documentation process; and conflict of interest management.

- In Portugal, the supervisor (ASF) introduced regulations on the registration procedures of the persons who effectively run the undertaking, who supervise the undertaking, key functions holders, and the responsible actuary ([Regulation Standard no. 3/2017-R](#), which is currently under review), regulations on the certification of the professional qualification of the responsible actuary ([Regulation Standard no. 6/2016-R](#)), and regulations that establish the elements to be certified by the statutory audit and the responsible actuary ([Regulation Standard 2/2017-R](#)). Furthermore, the ASF introduced [Regulation Standard no. 7/2022-R](#) which requires insurers to establish an independent control function responsible for market conduct.
- In Türkiye, the Insurance and Private Pension Regulation and Supervision Authority (IPRSA) issued the above-mentioned [regulation on internal systems in the insurance and private pension sectors](#) in November 2021. Management and control principles stipulated in international standards, especially the IAIS ICPs, for strengthening corporate governance are defined as an obligation for companies. An application circular (no. 2022/16) was issued to clarify the issues further. Publication of this circular is thought to be an important step in strengthening and internalising the understanding of corporate governance.

Conclusion

35. It can be concluded, based on the responses received, that domestic legislation, regulation, and/or guidance is generally well aligned with the Guidelines in relation to internal governance mechanisms. In the area of whistleblowing, where the level of alignment is less strong, a number of respondents are adopting legislation that would provide some whistleblower protections. Internal governance mechanisms are essential for identifying, managing, and controlling risks, for aligning incentives, for ensuring accurate estimates and valuations, reporting, and disclosures, and for ensuring proper director and employee conduct, so that – as key elements of risk management and control – it is not surprising that regulation and supervision in this area is already established and well developed.

Groups and conglomerates

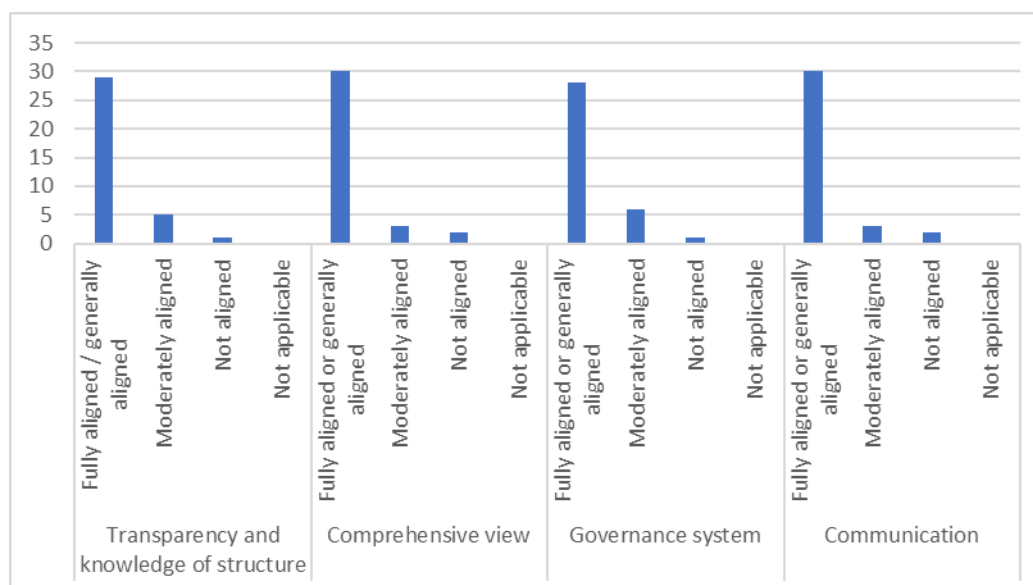
36. The third part of the Guidelines relates to groups and conglomerates. It is recognised that the operation of insurers within group or conglomerate structures presents opportunities (and benefits) but also challenges for the governance of insurers, with groups varying in terms of the degree of centralisation of decision-making, policies, functions and resources, the quality of governance practices in affiliated entities, and the relationship of the insurer to affiliated entities. The Guidelines put forward four key principles for groups and conglomerates, namely:

- (i) *Transparency and knowledge of structure*, whereby group ownership, structures, arrangements and relations should be transparent to all entities within the group and related shareholders as well as to external stakeholders, and should be well understood by boards of directors and key executives;
- (ii) *Comprehensive view*, allowing board members and key executives of controlling and controlled entities within a group to have a comprehensive view of the business, operations and risks of the group and of the major entities within it;
- (iii) *Governance system*, ensuring a coherent, well-functioning, and transparent system of governance for the group, with clear lines of responsibility and accountability (including any reporting relationships) across the group – supported by a possible group-wide governance policy; and,
- (iv) *Communication* to promote group-wide flows of information, enabling a comprehensive view of risks, including risks related to the group structure.

37. There is a high level of alignment of respondents' legislation, regulation, and guidance with the guidance provided on groups and conglomerates, as can be seen in Figure 9 (see below). A high number of respondents indicated a full or general alignment with the Guidelines.

Figure 9. Groups and conglomerates

Alignment of legislation, regulation, or guidance with the Guidelines



Source: OECD survey questionnaire

38. Many respondents provided details on, or references to, legislation and regulation regarding the governance of groups and conglomerates. Among those respondents who indicated moderate alignment, one mentioned that reliance is placed on insurers themselves to develop appropriate policies, practices and procedures, while another noted that there were gaps in relation to the provisions on transparency and knowledge of structure and the governance system; related to this last point, a respondent noted that some ownership structures are opaque with respect to the reason for their formation. One respondent indicated that, in relation to the governance system, the supervisor has no direct rule-making powers over groups, while another respondent indicated that prudential legislation does not provide for the supervision of groups. A respondent, which reported itself to be non-aligned, noted that there is regulation for insurance groups, but not for insurance conglomerates (and no official definition of financial conglomerate).

39. Examples of recent initiatives on the governance of groups and conglomerates include:

- In Colombia, in 2019, the supervisor (SFC) established a Risk Management Framework for Financial Conglomerates through [External Circular 013](#). According to the circular, financial holding companies must manage the risks inherent to the conglomerate through a set of policies, procedures, methodologies, and controls, which are to act in an integrated and coordinated manner, allowing the financial holding to (i) design, implement and monitor its risk appetite framework and the strategy for its execution, and (ii) manage the risks of the financial conglomerate. This framework must be aligned with the risk appetite and business plan of the financial holding, as well as with the structure, characteristics, complexity, and diversity of the activities carried out by the conglomerate and the situations of control and/or significant influence present within it. The risk governance structure of the financial holding must include: (i) procedures for decision-making, design, and monitoring of the framework and reporting lines; (ii) the assignment of the physical,

human, economic, and technological resources for the development, implementation, and proper maintenance of the framework; and (iii) functions and responsibilities of the board of directors, the legal representative, the risk management function, the risk committee, and internal audit. Conglomerate risks must be managed, i.e. (i) contagion risk, (ii) concentration risk, and (iii) strategic risk, and for such risk management, the financial holdings must have the necessary information from the entities that comprise the group. In financial conglomerates, directors, senior management, internal audit, risk management, and the actuarial function of the controlling or parent entity must have the responsibility of ensuring that there are appropriate supervision policies and mechanisms in accordance with their structure, business, and risk profile; regarding the compliance function, it must be evaluated in each controlled entity.

- In an earlier related measure, in Colombia, a decree (Decree 1486; see [decree](#) and [technical document](#)) was issued to ensure that the entities that belong to a financial conglomerate identify, manage and disclose conflicts of interest arising from the operations and structure of the financial conglomerate. This decree also established policies and exposure and concentration limits for operations between entities of the conglomerate and between these entities and related parties. In Costa Rica, the [regulation on corporate governance](#) for all financial institutions was amended in May 2022 for those elements applicable to financial groups or conglomerates, in order to ensure the establishment of a comprehensive, exhaustive, and consistent governance framework throughout the group or conglomerate, so that the governance of each of the entities and between entities is executed on a consolidated basis.
- In Italy, in 2018, principles on the group corporate governance system were established by [IVASS Regulation 38/2018](#) Title III (art. 76-94). According to art. 76, the ultimate Italian parent undertaking provides the group with a corporate governance system, adequate to the structure, the business model and the nature, scale, and complexity of the risks of the group and of the individual investees and subsidiaries, which allows sound and prudent management of the group and which takes into account the interests of the companies that belong to it and the ways in which these interests contribute to the common long-term objective of the group – and also in terms of safeguarding the capital. The group corporate governance system should be subjected to periodic review, and when significant changes are made to the group structure. The system should include at least:
 - (i) An adequate and transparent organisational structure that supports the operations and strategies of the group, as well as procedures and controls that assure the efficiency and effectiveness of corporate processes;
 - (ii) The definition of the group strategies and policies;
 - (iii) Formalised coordination and liaison procedures, including information exchanges, for the different areas of activities between the group companies and the ultimate Italian parent undertaking, which assure an adequate bottom-up and top-down information;
 - (iv) The establishment, at the group level, of an adequate risk management structure and organisation, also through a clear definition of the duties and allocation of responsibilities among the group companies and the different control units, as well as the consistent application of internal control mechanisms, including adequate coordination mechanisms;
 - (v) The establishment, at the group level, of the key functions;
 - (vi) Possession of the professional qualifications, integrity, and independence requirements by those who perform administration, management, and control functions for the group in the ultimate Italian parent undertaking, by the holders of the key functions per (v) above and by those who perform these functions;

- (vii) Mechanisms suitable to assure, at the group level, the compliance of the corporate governance system with the provisions of Italy's [Code of Private Insurance](#) and with the corresponding implementing provisions pertaining to corporate governance, assuring compliance of the group's activity with current regulations and with company and group directives and procedures; and,
 - (viii) Mechanisms that allow the ultimate Italian parent undertaking to verify whether the behaviours of the group companies comply with the guidelines dictated by the parent company, whether the group companies consistently apply the corporate governance provisions applicable to them, and whether the internal control and risk management systems are effective, with particular regard to the companies. For this purpose, the ultimate Italian parent undertaking must carry out periodic inspections on the group companies, also through their internal audit functions.
- In Japan, in December 2020, the supervisor (JFSA) revised the [Comprehensive Guidelines for Supervision for Insurance Companies](#) to develop a framework for group supervision according to the size and specific characteristics of insurance groups.

Conclusion

40. Given the responses received, it can be concluded that domestic legislation, regulation, and/or guidance in Adherents is well aligned with the Guidelines in the area of groups and conglomerates. The Guidelines are succinct and principles-based in this part, which may be supportive of implementation.

Stakeholder protection

41. The fourth and final part of the Guidelines relates to stakeholder protection. It provides guidance across a number of areas, notably:

- (i) *Mutuals*, relating to the protection of policyholders as members of mutuals, given their role as member-shareholder, covering: (a) voting and participation in the governance of the mutual insurer; (b) distribution of the surplus; and (c) information and disclosure;
- (ii) *Participating policyholders*, with provisions to protect those policyholders with contracts giving them a right to participate in any profits or surplus generated by the insurance policy, given the potential conflicts of interest that might arise between shareholders/key executives and these policyholders;
- (iii) *Transparency and disclosure*, both for shareholders of the insurer and for policyholders to enable proper monitoring and oversight, and also for broader public in light of the regulated nature of the insurance industry and its important role in economic and social development;
- (iv) *Employee representation*, insofar as it is mandated by legislation, which would suggest the need to develop mechanisms to facilitate access to information and training for such representatives; and,
- (v) *Market conduct and financial education*, to ensure sound practices of market conduct and fair treatment of customers and policyholders in all stages of an insurance contract.³

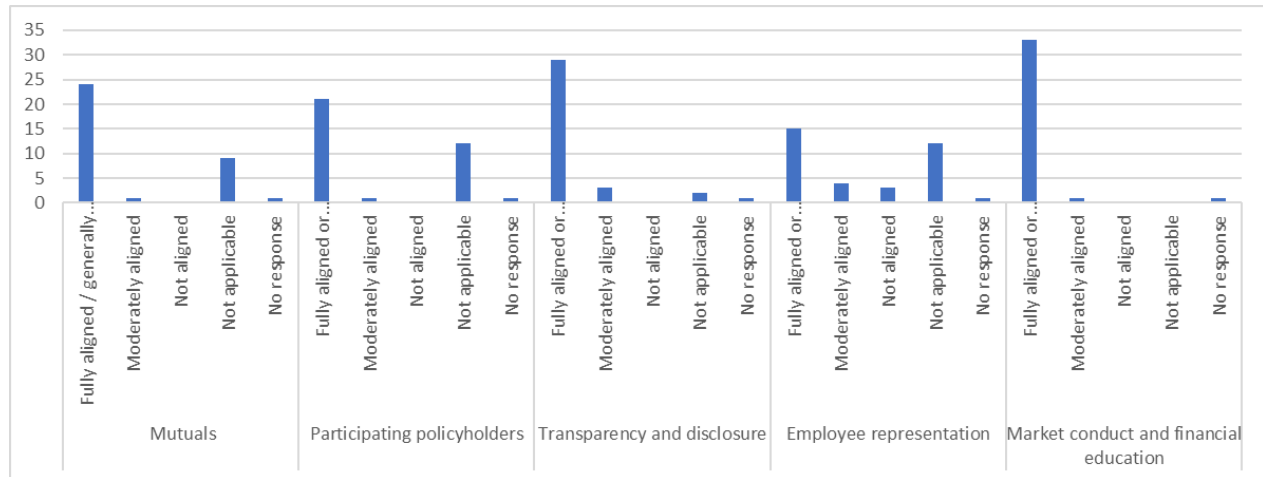
42. As can be seen from Figure 10 (see below), domestic legislation, regulation, and/or guidance is strongly aligned with the Guidelines. It should be noted that some respondents may not have mutuals, participating policies, and/or employee representation in their country and thus did not respond (i.e. “not applicable”), especially regarding participating policyholders and employee representation. Also, in a few

³ The final sub-section of Stakeholder Protection, relating to “Redress”, was not included in the survey questionnaire to reduce the burden for respondents. However, it is a part of the market conduct regime in countries and would be covered this sub-section.

cases, some respondents did not answer some sections in this part (e.g. market conduct and financial education) indicating that responsibilities for the area fall to another authority (e.g. conduct authority, securities market regulator, government), governed by different legislation.

Figure 10. Stakeholder protection

Alignment of legislation, regulation, or guidance with the Guidelines



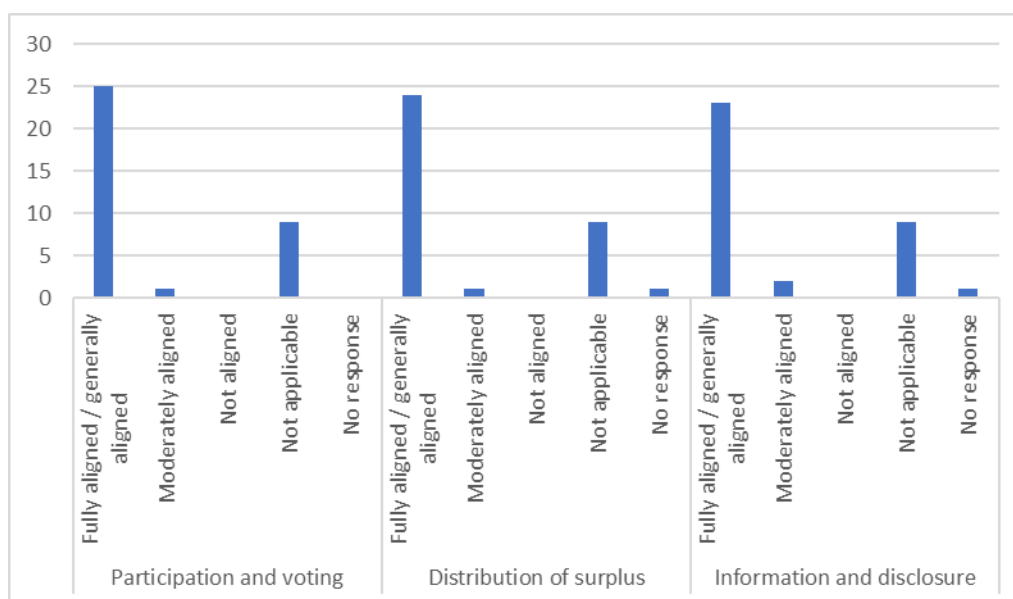
Source: OECD survey questionnaire

43. For EU Member States, the [EU Directive 2016/97 on Insurance Distribution \(IDD\)](#), supplemented by the [Delegated Regulation 2017/2359](#) on information requirements and conduct of business rules applicable to the distribution of insurance-based investment products (IBIPs), apply. The Directive requires that “any contract proposed shall be consistent with the customer’s insurance demands and needs” (Art. 20-I, IDD). Furthermore, the distributor must offer a suitable product that best meets the requirements and needs of the customer when the contract offered is an insurance-based investment product (cf. Art. 30 IDD). The insurance intermediary or the insurer must also provide information in a comprehensible manner so that potential customers are reasonably able to understand the nature of the IBIPs risks offered to them and thus take informed investment decisions (Art. 29 IDD).

44. Figure 11 on the next page provides a more granular self-assessment by respondents against the components of the section on mutuals: participation and voting; distribution of surplus; and information and disclosure. As one can see, there is a high level of alignment with the Guidelines across almost all Adherent countries.

Figure 11. Sub-section: Mutuals

Alignment of legislation, regulation, or guidance with the Guidelines

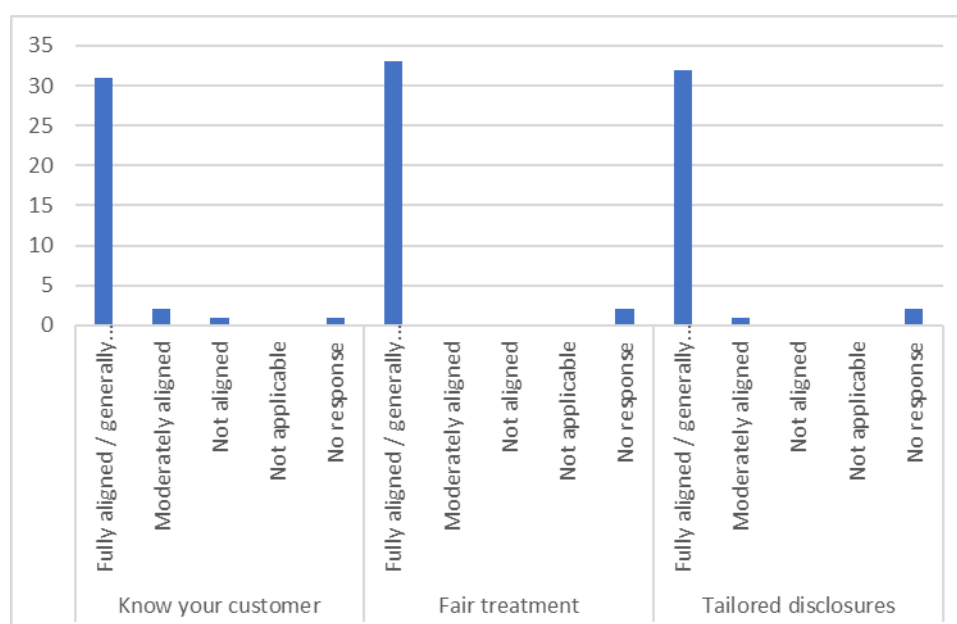


Source: OECD survey questionnaire

45. Similarly, Figure 12 (see below) provides a more granular self-assessment by respondents against the components of the section on market conduct and financial education. As one can see, there is a high level of alignment with the Guidelines across almost all respondents.

Figure 12. Sub-section: Market conduct and financial education

Alignment of legislation, regulation, or guidance with the Guidelines



Source: OECD survey questionnaire

46. Examples of recent initiatives on stakeholder protection include:

Transparency and disclosure

- In Italy, the supervisor (IVASS) published in 2020 a regulation ([Regulation no. 46/2020](#)) that requires insurers to adopt and publicly disclose a shareholder engagement policy describing the ways in which investee companies are monitored on relevant issues, such as strategy, financial and non-financial results, risks, capital structure, social and environmental impact, and corporate governance. The policy should also describe the nature and form of communications (if any) with investee companies, the exercise of voting rights and other rights attached to the shares, collaboration with other shareholders or communicate with stakeholders of the company, as well as the management of current and potential conflicts of interest in relation to their investments. If insurers do not make these disclosures, they must provide an explanation. The regulation also requires insurers to publish information on the consistency of the main elements of its equity investment strategy with the profile and duration of its liabilities, on the contribution of this strategy to the generation of a medium-long term return of their portfolios, and on any agreements with the asset manager with which they have entrusted their portfolio.
- In Portugal, the [Regulation Standard no. 4/2022-R](#) requires (re)insurers to publicly disclose their rules on conflicts of interest within or separately from their code of conduct (also publicly disclosed), as well as their remuneration and whistleblowing policies.

Market conduct and financial education

- In Austria the implementation of the EU IDD in 2018 considerably improved the protection of insured persons as a result of enhanced conduct-of-business rules, in particular mandatory advice, and the requirement to introduce a product oversight and governance process.
- In France, in 2022, the French supervisor (ACPR) published a Recommendation ([2022-R-01 May 9th, 2022](#)) regarding the complaints handling process and access to the alternative dispute resolution mechanism. The Guidelines ask insurers to implement a monitoring process of complaints and submit a synthesis once a year to the governing bodies. This synthesis should include an analysis of the process' quality, its potential failures, the source of the complaints (e.g. bad selling practices, product failure), and remedial measures implemented or foreseen.
- In Ireland, in 2022, the [Central Bank \(Supervision and Enforcement\) Act 2013 \(Section 48\(1\)\) \(Insurance Requirements\) Regulations 2022](#) was enacted to ensure fair treatment of consumers on pricing, in particular on policy renewals.
- In 2022, the Bank of Lithuania, having carried out a thematic review of the product oversight and governance practice in the insurance market, prepared an overview of the results and presented recommendations to market participants. One of the objectives of the thematic review was to find out how insurers implemented provisions in the insurance law requiring insurers to always act honestly, fairly and professionally in accordance with the best interests of customers, i.e. what specific changes related to fair treatment of consumers have been implemented by the insurer. Taking into account the results of the thematic review, the Bank of Lithuania published the following recommendations regarding the fair treatment of consumers: (i) an insurer should establish and implement policies and procedures for dealing with customers fairly as an integral part of its business culture; and (ii) an insurer should take measures to ensure that the principle of fair treatment of customers is taken into account when planning, implementing, or changing the company's operational strategy, making decisions that may affect consumers, determining the responsibility of the company's board and senior management, internal control system, remuneration policy, and carrying out the selection of persons distributing products and the supervision of their qualifications.
- In Japan, in 2018, the Life Insurance Association of Japan (LIAJ) revised and updated its [Code of Conduct](#) which aims to “establish a high reliability of life insures as the trust from customers and

society obtained through the sound business operation is fundamental to comply with the mandate of customers while also fulfilling expectations of society as well as social responsibilities”.

- In New Zealand, the Financial Markets Authority (FMA) and Reserve Bank of New Zealand (RBNZ) undertook joint reviews of the conduct and culture of banks and life insurers in 2018 and 2019, respectively. More recently, the FMA reviewed the conduct and culture of fire and general insurers. Those reviews found that banks and insurers were not establishing systems and processes to ensure that consumers were treated fairly. The reviews led to the introduction of the *Financial Markets (Conduct of Institutions) Amendment Act 2022* (CoFI Act). The CoFI Act seeks to ensure that financial institutions treat consumers fairly; consumer must be placed at the forefront of institutions’ decisions and actions. This [Conduct of Financial Institutions regime \(CoFI\)](#) introduces a new regulatory regime to ensure that banks, insurers, and non-bank deposit takers comply with the fair conduct principle when providing relevant services to consumers. CoFI requires these institutions to establish a fair conduct programme, that is, a set of policies, processes, systems, and controls designed to ensure compliance with the fair conduct principle.
- In Portugal, the [Regulation Standard no. 7/2022-R](#) establishes the way in which matters related to insurer market conduct should be included in the system of governance.
- In Türkiye, the previously mentioned circular on corporate governance principles (no 2022/16) imposes some responsibilities on the insurer regarding customer relations. The insurer should seek to ensure customer satisfaction in the provision of products and services, and also seek to ensure confidentiality of customer and supplier information. In addition, necessary measures are taken to establish good relations between the insurer and its customers and suppliers, free from unfair benefits, and in compliance with contractual terms.
- In the UK, in 2022, the market conduct regulator (FCA) introduced [rules](#) and [guidance](#) for a [new Consumer Duty](#), which sets higher and clearer standards of consumer protection across financial services and requires firms to put their customers’ needs first. These new requirements become effective from 31 July 2023 for open products and services, and from 31 July 2024 for closed⁴ products and services.

Conclusion

47. As with the previous parts of the Guidelines, it can be concluded that, based on the responses received, domestic legislation, regulation, and/or guidance is strongly aligned with the Guidelines in relation to stakeholder protection. As noted above, some respondents did not self-assess against certain sections of this part, for instance due to the fact there is no regime for mutual insurers or that participating policies do not exist. Given the reforms recently undertaken in some countries to strengthen the market conduct regime, some challenges may exist in some Adherent countries regarding the fair treatment of consumers.

Use and policy impact of the Guidelines

48. The previous section reviewed the implementation of the Guidelines, evaluating the extent to which the principles found in the Guidelines have been adopted by public authorities and insurers. As has been explained, this evaluation has been based on a process of self-assessment by respondents of the extent to which their domestic legislation, regulation, and/or guidance is aligned with the Guidelines. The overall

⁴ A closed product in the U.K. is a product: (1) where there are existing contracts with retail customers entered into before 31 July 2023; and (2) which is not marketed or distributed to retail customers (including by way of renewal) on or after 31 July 2023. See [FCA Handbook glossary](#).

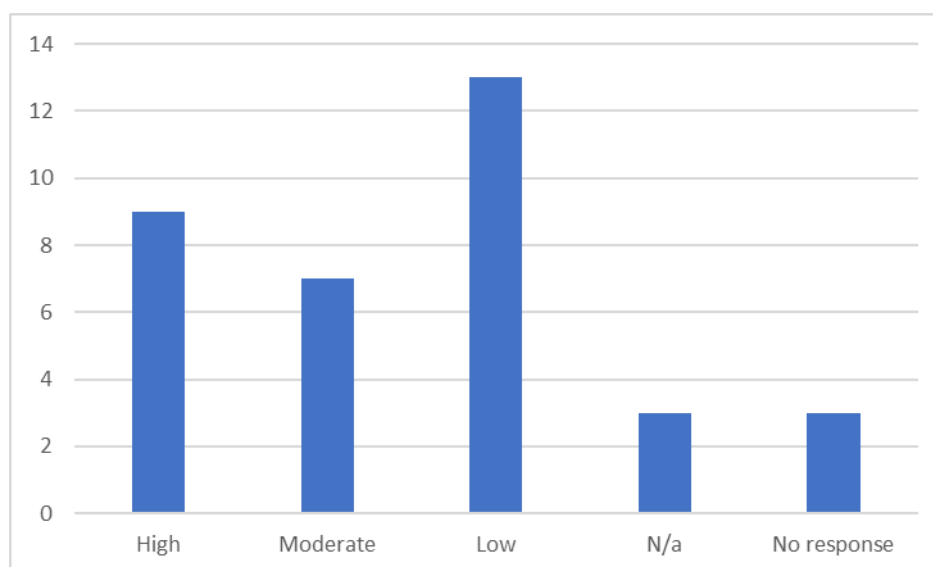
conclusion, after having reviewed the four parts of the Guidelines, is that there is high level of implementation.

49. This outcome is not surprising since the Guidelines, when they were substantially revised in 2011, reflected the main elements of insurer governance at the time, having been developed through a process of extensive information-gathering and the preparation of reports prepared jointly with the IAIS and World Bank. While there has been an evolution of country practices and guidance since 2011, the main foundations of insurer governance had already been laid by 2011.

50. The fact that the Guidelines as revised in 2011 already reflected the “state of the art” in broad terms, but also co-exist with other relevant international (IAIS) and regional (EIOPA) standards or guidance on insurer governance, has meant that one cannot draw a straight, one-directional line from the Guidelines through to national legislation, regulation, and guidelines by way of awareness, use, and policy impact. In fact, awareness of the Guidelines and their use and policy impact have been somewhat uneven across Adherents. This variability suggests that further perspectives on the implementation of the Guidelines would be gained by exploring Adherents’ use of the Guidelines and policy impact.

51. In terms of use and policy impact of the Guidelines, these have been limited. As can be seen in Figure 13 (see below), while a number of policymakers or regulators (16 respondents out of 35) considered the Guidelines to have a moderate to high level of use and policy impact, exceeding somewhat those (13 respondents) who considered the use and policy impact of the Guidelines to be low.

Figure 13. Use and policy impact among financial policymakers and insurance regulators



Source: OECD survey questionnaire

52. Examples of use and policy impact include:

- In Canada, the Guidelines are used to assess alignment between Canada’s governance framework and international governance practices. Lack of alignment can point to areas for further study.
- In Chile, the Guidelines were considered in the development of the main regulations referring to corporate governance. The [NCG No. 309 of 2011](#) on corporate governance for insurance companies was largely based on the 2011 “OECD Guidelines on Insurer Governance”.
- In Costa Rica, the insurance sector is supervised under a risk-based supervision approach. Therefore, corporate governance plays a critical role in assessing the quality of risk management

and the performance of lines of defense and the Board of directors. The rating and risk profile assigned to the entity and, consequently, the intensity of its supervision, depend on this assessment. Additionally, OECD Recommendations and guidelines are used as a reference and foundation for the regulatory development processes.

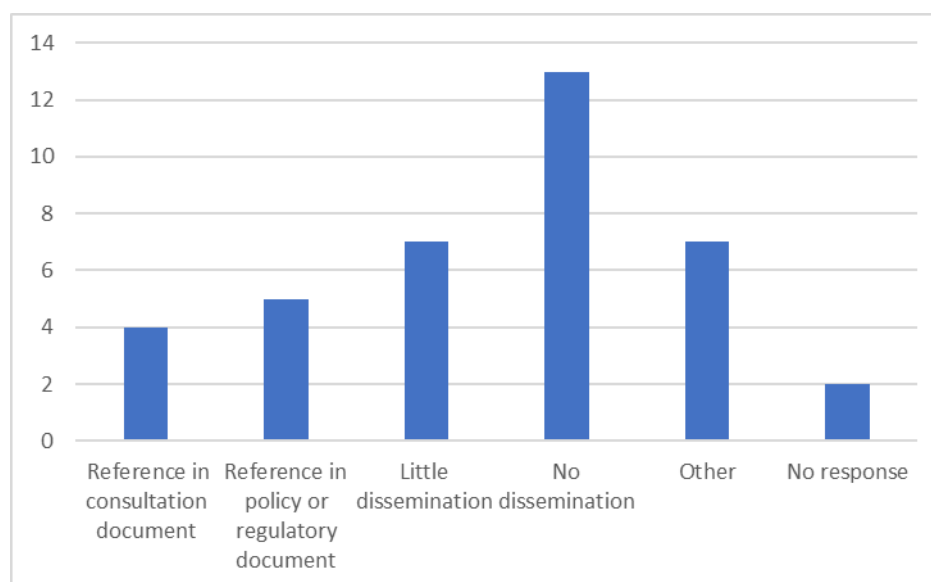
- In New Zealand, the Reserve Bank of New Zealand (RBNZ) and the Financial Markets Authority (FMA) have completed a [thematic review](#) (September 2023) into the structure and operational practices of boards to determine their effectiveness. The review will help in developing and maintaining a good working knowledge of board practices and their adherence to supervisory governance expectations. Supervised entities were assessed against these governance expectations, as set out in relevant legislation, regulatory requirements (for example conditions of registration or licensing), and RBNZ and FMA guidance. Other local and international guidance (including the Guidelines) were used to determine good practice.
- In Italy, the OECD and EIOPA guidelines are a benchmark for IVASS for introducing policy and regulation addressed to insurance market participants.
- In Poland, an example of the use of the content of the Guidelines for domestic policies has been the Methodology for assessing the efficiency and reputation of members of the bodies of managed entities. The document is addressed to the body responsible for appointing members of the management and supervisory bodies of insurance/reinsurance undertakings in order to facilitate their navigation of the numerous regulations concerning this issue. The fit and proper assessment of candidates for the management board or key person concentrates among others on their ability to implement given recommendations. Another example can be insurers' obligations on providing customers and policyholders with appropriate, relevant information relating to insurance contract when entering into an insurance contract, including coverage, benefits, obligations, charges. The obligation derives from a number provisions of law, including in particular law on insurance and reinsurance activities.
- In Türkiye, use was made of the Guidelines as well as the IAIS ICPs in the regulations related to corporate governance, especially the recent regulations on internal control processes of the insurers. Considering the needs in practice, the Guidelines and ICPs are the benchmark.
- In the United States, the Guidelines have been considered, along with other overarching governance frameworks and principles (including the IAIS ICPs and ComFrame standards), in developing and implementing requirements and expectations for insurer/group governance in state insurance regulation.
- It was noted by one insurance association that the Guidelines are generally consistent with evolving best practices and have likely influenced relevant standards from other sources. This association noted that it is important that the Guidelines are stated as non-binding in nature.

53. Other respondents noted the impact of the Guidelines as being indirect, and thus having a low to moderate policy impact. A number of EU Adherents noted the alignment of the Guidelines with EU legislation and guidelines on Solvency II, which has been a driver of insurer governance reforms in these countries – thus muting the potential direct impact of the Guidelines. For another respondent, the IAIS ICPs and ComFrame standards on governance were regarded as the key standards. Furthermore, a number of respondents indicated that they already have well-developed governance frameworks (aligned with the Guidelines) and may take international standards into account as appropriate. A few respondents and stakeholders stressed that domestic governance frameworks are more advanced than the Guidelines, which would lower potential policy impacts. Another respondent indicated that, in view of local particularities and the current stage of development of the insurance market, some specific items of the Recommendations have not yet been fully implemented, which would limit policy impact.

4. Dissemination

54. The Recommendation invites Adherents and the Secretary-General (i.e. the OECD Secretariat) to disseminate the Recommendation among public and private insurers. As can be seen from Figure 14 (see below), the record is mixed, with 20 respondents indicating that there has been no or little dissemination of the Recommendation. On the other hand, a number of respondents have brought attention to the Recommendation, for instance in consultation or policy document. For instance, one Adherent included the Guidelines as part of the bibliographic review that supported the issuance of new norms or regulations, and were disseminated when senior representatives of government agencies have discussions, workshops, congresses or seminars with the insurance industry, among others. Another Adherent indicated that the Guidelines were used as one of the sources for improving its regulation.

Figure 14. Dissemination of the Guidelines



Note: There was scope for countries to respond (in the positive) both to “Reference in consultation document” and “Reference in policy and regulatory document” (two respondents did so).

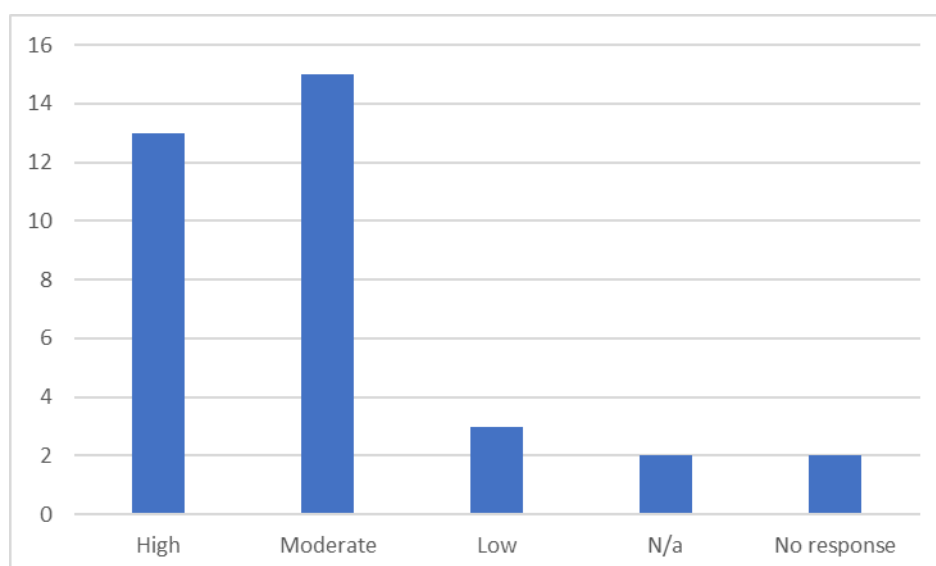
Source: OECD survey questionnaire

55. Given the earlier discussion about alignment of the Recommendation with domestic legislation and guidance, and their consistency with regional (e.g. EU) and other international standards (e.g. IAIS ICPs), this result is not surprising and some respondents did emphasise again the alignment of the Recommendation with domestic or regional (EU) regulation. Effectively, since the main objective of the Recommendation is to enhance insurer governance, these other efforts indirectly support the implementation of the content of the Guidelines. It should be noted too that, as some respondents have pointed out, domestic requirements on insurer governance are more stringent – this would suggest that dissemination of the Recommendation might possibly be problematic.

56. While dissemination of the Guidelines by Adherents has not been strong, there is nonetheless some awareness of the Guidelines among Adherents. For the respondents, there is moderate to high awareness of the Guidelines among financial policymakers and insurance regulators (in combination, 28 out of 35 respondents, or 80 percent – see Figure 15). For some Adherents, the Guidelines have been a reference

point for the development of policies and regulations, alongside standards and principles developed by other organisations, such as the IAIS ICPs on corporate governance and risk management and internal controls. For EU Adherents, a factor inhibiting awareness (and also policy impact, as discussed below) is the existence of EU-level regulation and guidance, which already captures many of the elements of the Guidelines and which tends to be the focus of these Adherents, given the higher expectation of implementation.

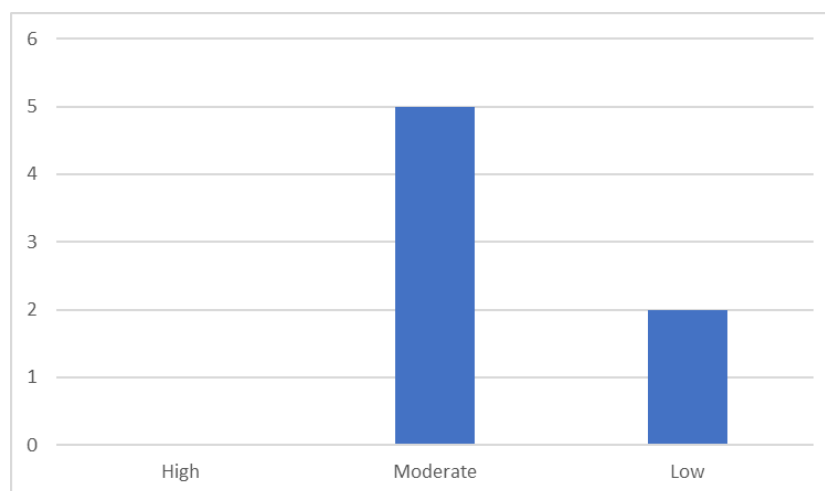
Figure 15. Awareness of the Guidelines among policymakers and regulators



Source: OECD survey questionnaire

57. While there is a moderate to high level of awareness of the Guidelines among policymakers and regulators, the level of awareness within the insurance sector – at least among insurance associations – is lower, at moderate to low (see Figure 16 on next page). It is striking to note that no stakeholder (mostly insurance associations) indicated a high level of awareness, which may either reflect the level of awareness at the relevant association(s) or their membership, or both.

58. One insurance association indicated that it has been aware of the Guidelines since their inception and has commented on past proposed updates. This association generally supports them, since they are regarded as appropriately high-level and flexible. A number of insurance associations remarked that while the Guidelines may not be widely known, their content is observed by insurers as they are (generally) part of domestic rules and regulations, or industry governance codes; the several layers of regulatory and self-regulatory guidelines diminish the visibility of international guidance like the OECD Guidelines. One association mentioned the priority that must be attached to the day-to-day issues of representing insurer interests to the public and to government generally. Since the Guidelines are directed at both policymakers and regulators on the one hand, and the insurance sector on the other, this finding would suggest the need to identify ways to enhance awareness, including through dissemination efforts with the insurance sector.

Figure 16. Awareness of the Guidelines among stakeholders

Note: Stakeholders include (mainly) insurance associations and the World Bank

Source: OECD survey questionnaire

59. Suggestions from respondents to enhance awareness of the Guidelines include: (i) making national supervisors more aware of the existence of the Guidelines; (ii) liaising or cooperating with EIOPA and IAIS on the alignment of any new or revised Guidelines with their standards (existing standards are already largely aligned); (iii) improving the quality and extensiveness of communications through, e.g. visuals, infographics, FAQ, posts on OECD LinkedIn account to raise the attention; and (iv) strengthening communication with government officials and stakeholders.

60. Suggestions from the industry for increasing awareness include: (i) working with insurer representative associations within Adherents to raise awareness to their member insurer companies; (ii) translating the Guidelines into several languages (there is currently only a English and French version); (iii) encouraging supervisors to refer to the Guidelines on their websites; (iv) promoting the Guidelines at IPPC meetings; and (v) changing the content of the Guidelines to reduce the length and making them more manageable in terms of length (which could facilitate compliance).

61. Dissemination efforts by the Secretariat have been limited. The Recommendation was put into a small publication, which was disseminated to delegates, and there is a dedicated [webpage](#) on the OECD website to the Recommendation. Since insurer governance has not been identified as priority for the IPPC PWB in recent years, there has been no dedicated work on the topic, which would affect both the level of awareness of the Recommendation and perhaps also the extent of dissemination.

5. Summary and conclusions

Implementation

62. This Report finds that there is a high level of implementation of the Recommendation. The evidence for this conclusion is the high degree of alignment of the content of the Recommendation with domestic legislation, regulation, and/or guidance, as self-reported by those Adherents that responded to the survey.

63. In lieu of efforts to foster implementation in Adherents, which may have limited incremental benefit, further action going forward could instead be focussed on ensuring the continued relevance of the Recommendation, addressing any ongoing issues or emerging issues and challenges in relation to insurer governance, and enhancing awareness and dissemination of the Recommendation. Also, the OECD could encourage further non-Members to adhere to the Recommendation and support non-Members in the implementation of the Recommendation, where such support is sought.

Dissemination

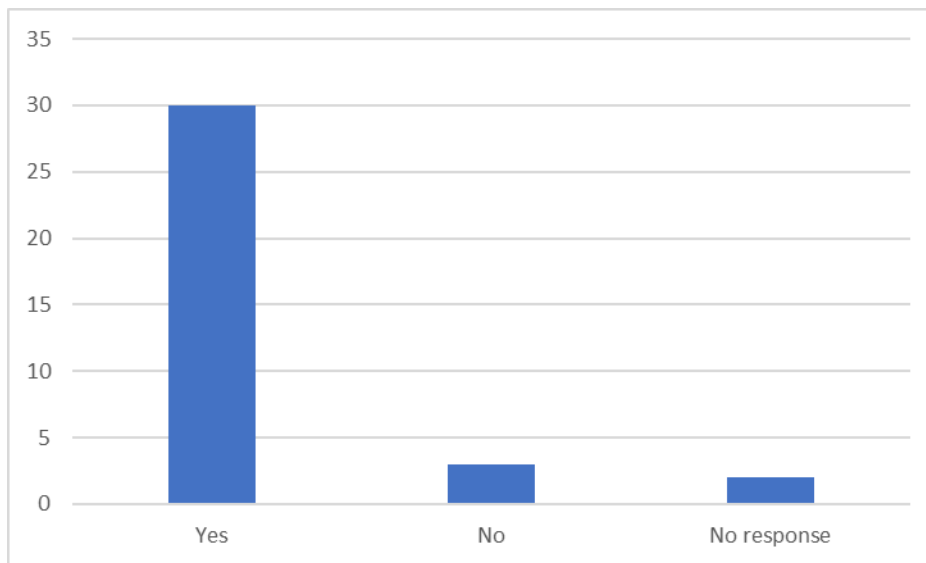
64. While there are some examples of dissemination efforts, overall, dissemination efforts by Adherents and the Secretariat have been limited. Going forward, efforts to enhance dissemination could include, among other possible efforts:

- Supporting the dissemination of the webpage and booklet on the online Compendium of OECD Legal Instruments within Adherents and encourage Adherents to translate the Recommendation in their domestic language;
- Promoting dissemination of the Recommendation to non-Adherents, for instance through regional and global events organised by the OECD;
- Encouraging delegates to make national supervisors and their stakeholders more aware of the existence of the Recommendation and continuing to involve insurance associations and other stakeholders in any further work in this area (including possible revisions); and,
- Considering opportunities to communicate on the Recommendation through social media.

Continued relevance

65. Almost all respondents indicated that the Guidelines remained relevant. As shown in Figure 17 below, 30 out of 35 respondents (86 percent) saw continued relevance of the Guidelines. This result would suggest the continued value of the Recommendation, despite other available guidance and standards.

Figure 17. Continued relevance of the Guidelines



Source: OECD survey questionnaire

66. A number of respondents provided some details in their response. For example, for two respondents, the Guidelines have been and remain relevant as a benchmark or reference for good practices, with one of these respondents indicating that they have been used in the development of domestic regulations on corporate governance, and expect that they will continue to be used for any future regulations. Another respondent indicated that the principles-based nature of the Guidelines helps to maintain their adequacy over time and facilitates their adaptation to the local context. A further respondent indicated that the topic is important and it should continue to be relevant to have a general framework for the development of government regulation on insurer governance; while Solvency II regulation has already implemented all of the Guidelines, the Solvency II framework is in force only at the European level. Another respondent echoed this comment by stating that the Guidelines can be very useful for other (non-EU) countries. One respondent indicated that the Guidelines provide a good source of inspiration and are useful for interpreting regional (EU) principle-based rules.

67. In order to ensure continued relevance of the Recommendation, consideration needs to be given to whether a revision may be merited, in the form of revisions to existing provisions or through the addition of new ones, to capture developments in the field since the last revisions in 2017. In addition, the recent revisions to the *Principles* would need to be considered, in case any of the revisions to the Principles should be captured by the Recommendation. The IPPC may assess, based on the findings of this Report and further discussion, whether revisions to the Recommendation are warranted.

68. As a basis for considering the need for revisions, consideration should be given to the inputs received through the survey questionnaire on the need and scope for improvement. A summary of the general remarks received is provided below while the suggestions made on the scope for improvement are provided in Box 1, all of which the Committee could consider going forward:

- One respondent indicated that it is important to at least periodically verify the need for improvement of the Recommendation, while another respondent indicated that the Guidelines could be more relevant by adding emerging governance policy issues such as climate-related risk and cyber security. Meanwhile, another respondent stated that the Recommendation is meant to establish a general framework and, thus from this perspective, the current content of the Recommendation is sufficient to comply with this objective; nevertheless, this general framework can be developed at the national level, according to local market needs and conditions. A further

respondent noted that it should be assessed whether the level of detail of the provisions in the Guidelines exceeds the appropriate limit for a regulation based on principles and the principle of proportionality. One respondent indicated that improving the Recommendation is not a priority.

- Most industry stakeholders did not see the need for an update. However, some industry stakeholders did indicate a need, pointing to the time that has elapsed since the last revision. One industry stakeholder stated that, in some areas (e.g. internal governance mechanism, groups and conglomerates), the Recommendation no longer reflect best practice; however, this same stakeholder indicated that this may not necessarily justify a need for revisions since the guidance is designed to raise the standard of governance across multiple and varied jurisdictions. Another industry stakeholder stated that all parts of the Recommendation would benefit from an update.
- Should an update be made, a number of industry stakeholders (and one Adherent) highlighted the need for a principles-based approach, one which can assure proportionality and be more easily applied across different jurisdictions. One stakeholder noted, for example, that smaller company boards may be more involved in operations due to fewer resources at the staffing level, and insurers in different countries will have different priorities and legal expectations.
- Some respondents and industry stakeholders highlighted the need to ensure consistency across different standards and guidance. For instance, one industry stakeholder indicated that while regulatory overlap may be unavoidable within and across countries, differences could potential conflicts and confusion. One Adherent suggested the desirability of aligning the Recommendation more closely with EU standards. Another Adherent suggested to work, in any update, in coordination with IAIS to avoid inconsistent guidelines between the different standard setters.
- One respondent indicated that the elements of the Recommendation are just as relevant for other financial institutions as they are for insurers. Accordingly, it was suggested that a review be undertaken to see if a new guideline on corporate governance of financial institutions could be considered, or whether some guidelines could be integrated into the Principles; thus, the Recommendation might focus on more insurance-specific recommendations, for example the actuarial function.

Box 1. Suggestions on the scope for improvement of the Recommendation

Governance structure

- The Board of directors should, as a whole, have requisite IT expertise and skills.
- Board members, including non-executive members, should be able to devote sufficient time to their functions and avoid an excessive accumulation of functions, within and outside the group.
- It is necessary to check that the board members do not have any organic ties with the parties or institutions with which the company has a business relationship.
- In order to best apply the recommendations as well as to limit possible regulatory arbitrage, it seems reasonable to identify examples of individuals who should be classified as key executives. For instance, in EU regulations, the key persons in an insurance/reinsurance undertakings are identified (i.e. members of the management board, supervisory board, supervisors of the compliance, internal audit, actuarial, risk management functions).
- There is always room to enhance the governance recommendations for boards, committees, and key executives in relation to emerging risk areas such as cybersecurity, climate change, data use and privacy, diversity, etc.
- There could be greater clarification of the separation of responsibilities between the Board and senior management (industry stakeholder suggestion).
- Reference should also be made to the board's role in overseeing the implementation of an insurer's corporate culture, including its approach to diversity, equity and inclusion. The 2021 *IAIS Issues Paper on Insurer Culture* emphasised the importance of insurer culture and how it can impact both prudential and market conduct risks (stakeholder suggestion).
- A two-tier structure (separate management board and supervisory board) could be taken into account.

Internal governance mechanisms

- Risk management continues to be an area that is changing and evolving rapidly, so there may be opportunities to continue to enhance the guidelines as best practices continue to emerge.
- For the risk management and internal control system, it may make sense to establish what "comprehensive" means – which risk types need to be covered by the RM framework and what is material for this purpose.
- In some aspects the Guidelines should be updated, for example, ESG considerations (as part of risk management framework).
- The guidelines concerning the possibility for the internal audit function to perform the tasks of the compliance function or the risk management function in the absence of these functions in an insurance/reinsurance undertaking should be clarified by indicating the conditions under which this can take place.
- To ensure a better alignment with best European practices in relation to compensation, the Guidelines could include rules applicable to the constitution, functions, and functioning of a remuneration committee, including the requirement of an internal and independent evaluation of the remuneration policy. Another example are the principles concerning the criteria for attributing variable remuneration, the deferral of variable compensation as well as payments for termination of duties.
- For guidelines covering management structures, it could be considered if there is a need for greater flexibility.

- There is a need for more detailed guidance on different key function holders and forms of cooperation with external auditors.
- The responsibilities of actuarial function could be updated, with additional responsibilities.
- The guideline on whistleblowing could be amended to include a reference to the need to “ensure the company’s whistleblower program is useful and effective.”
- The independence of the control functions should be emphasised. In particular, the reference to the risk management function being “independent where possible” could be strengthened to promote independence (stakeholder suggestion).

Groups and conglomerates

- In some aspects the Guidelines should be updated, for example, cross-border supply of insurance services / multinational insurer and how it affects the corporate governance of the insurers.
- Knowledge of the group structure should extend to the relationships between entities in the group (ownership, intercompany debt, guarantees, service provision, etc.).

Stakeholder protection

- It should be assessed whether there should be a recommendation that professional advice be sought prior to decisions on rebates, supplementary contributions, and distributions of surplus.
- The focus should increasingly be on transparency: getting companies to set out in their report and accounts a clear and honest account of how they are delivering on main principles, and also on outcomes. Some governance codes encourage a description of ‘key results’, a high-level overview of key measures used in the business to show how it is delivering against its values and purpose (industry stakeholder suggestion).
- The guidelines on redress need to be strengthened.

General

- Adding emerging governance policy issues such as climate-related risk and cyber security could help to improve relevance.
- It should be assessed whether the level of detail of the provisions in the Guidelines exceeds the appropriate limit for regulation based on principles and the principle of proportionality.

Note: Unless otherwise indicated, all suggestions come from Adherents that responded to the survey questionnaire.

Source: OECD survey questionnaires

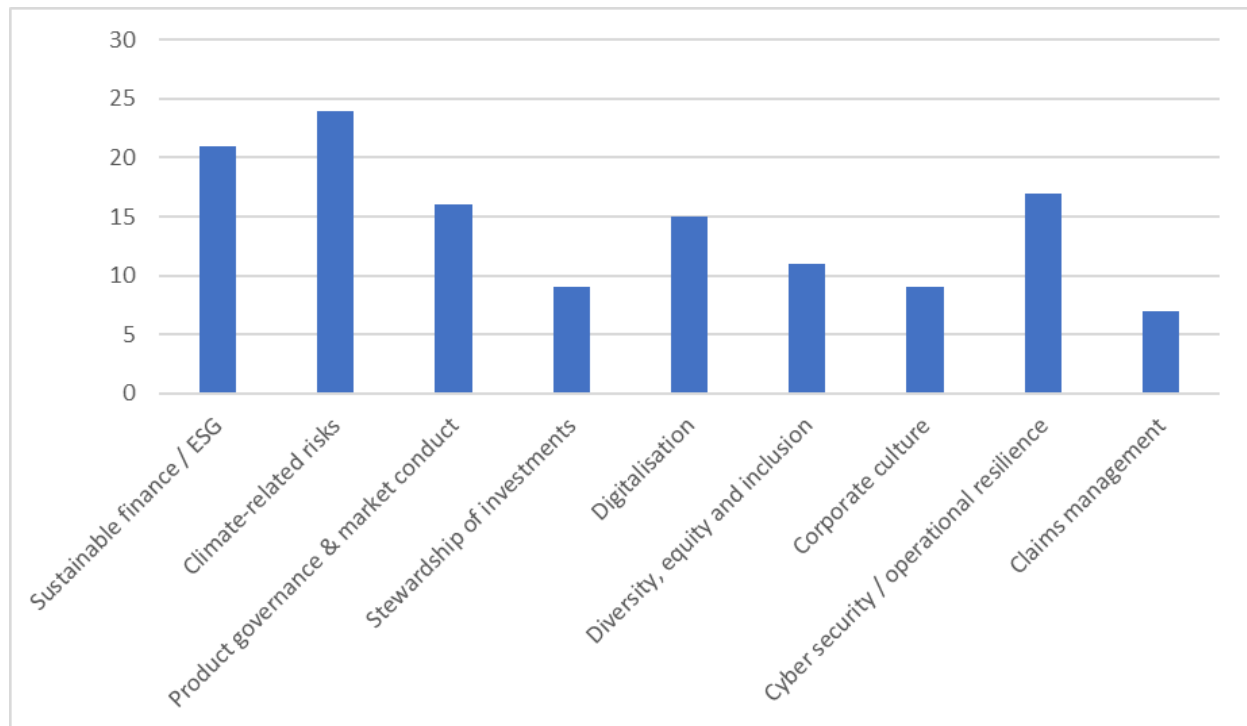
69. Regarding the text of the current Recommendation, it is regarded by a number of Adherents as being clear, well-structured, and adequately detailed. However, some suggestions for improvement to the language were made. One respondent noted that the wording is not always fully aligned with that of EIOPA or the IAIS, potentially leading to misinterpretations. This same respondent indicate that there are also some possible different interpretations between the English and French versions. Another Adherent thought that the recommendation that control functions should have a “status” within the insurer was unclear (this Adherent interprets it to mean that the control function be formally designated, and that its tasks, missions and responsibilities be clearly defined and communicated within the organisation). Another Adherent suggested that a glossary of general terms could be included, e.g. for “participant policyholders” (term is seen as unclear).

New developments in insurer governance and some challenges with insurer governance

70. The survey questionnaire circulated to Adherents and stakeholders sought information on recent regulatory and supervisory changes to the governance requirements for (re)insurers, or on any policy discussion or measures that would impact the governance requirements of (re)insurers (voluntary or mandatory), with a list of areas where measures may have been undertaken or may currently be considered. The goal is to understand better recent developments in insurer governance frameworks and whether there may be a need to update the Guidelines to reflect these developments and/or to see how the current version of Guidelines could capture the issues. A question was also posed on challenges being faced in regard to insurer governance.

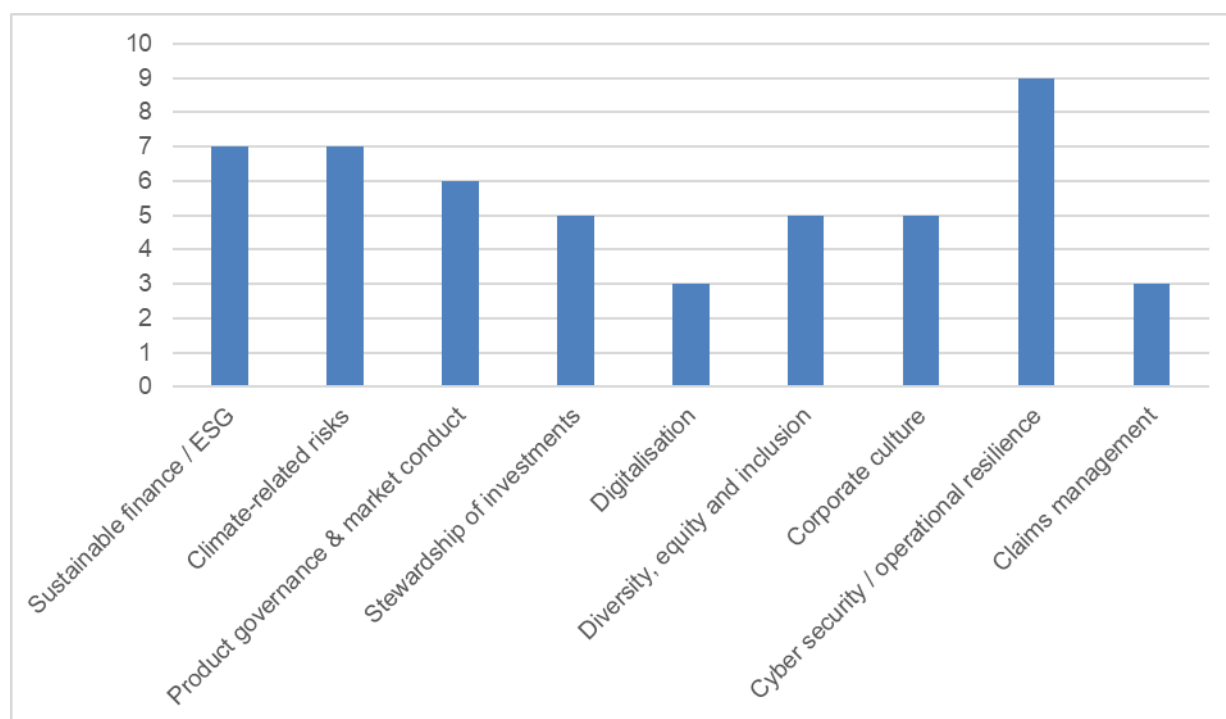
71. Based on the responses provided by respondents (see Figure 18 below), policy, regulatory, or supervisory initiatives on insurer governance in recent years have, in a large number of Adherents, related to climate-related risks and sustainable finance and climate-related risks. Cyber security and operational resilience (in light of COVID-19), digitalisation (e.g. use of artificial intelligence and machine learning), and product governance and market conduct, have also, to a significant extent, been a focus of insurer governance initiatives. Governance initiatives have also been linked to other themes such as diversity, equity, and inclusion (DEI) and corporate culture. The same trends also largely emerged among the respondent stakeholders (see Figure 19 on next page), with the exception of cyber risk and operational resilience which was the most frequently cited development for insurer governance.

Figure 18. Recent policy, regulatory or supervisory initiatives related to insurer governance (voluntary or mandatory) – governments



Note: 24 out of 26 respondent countries indicated at least one initiative. Countries could indicate multiple initiatives.
 Source: OECD survey questionnaire

Figure 19. Recent policy, regulatory or supervisory initiatives related to insurer governance (voluntary or mandatory) – stakeholders



Note: Stakeholders could indicate multiple initiatives.

Source : OECD survey questionnaire

Climate / ESG risks and sustainable finance

72. A large number of government and regulatory authorities are seeking to promote the integration of climate-related – and more broadly, ESG-related – risks into governance systems, including board strategies and policies, risk management, and disclosures, given the risks that they might pose to insurers and other financial institutions. Based on the responses received from Adherents, the focus of attention appears to be climate risks. Insurers are particularly susceptible to climate risks given that they face exposures to climate-related risks through both their liabilities and also their portfolio investments. The Recommendations of the FSB Task Force on Climate-related Financial Disclosures (TCFD) have been a key driver in this area.⁵

73. Inputs from respondents on these topics include:

- In November 2021, the Australian prudential regulator (APRA) released Prudential Practice Guide CPG 229 [Climate Change Financial Risks](#). This guide assists APRA-regulated institutions (including insurers) with complying with their obligations under a range of prudential standards in relation to climate change financial risk management. Meanwhile, the market conduct regulator [Australian Securities and Investments Commission (ASIC)] has been working with its national and international peers to establish consistent climate-related disclosure standards. The Australian government launched, in December 2022, a [consultation](#) on mandatory climate-related reporting

⁵ See Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures, [Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures](#) (June 2017).

for large businesses and financial institutions. ASIC has for many years advocated for voluntary disclosure in this area, and it supports the proposed shift to mandatory disclosure.

- In Brazil, in 2022, the supervisor (Susep) published regulations (see [Circular 666/2022](#)) requiring the establishment of a sustainability policy with clearly defined objectives and guidelines, the improvement of the management of sustainability risks, integrating them with other risks related to the supervised entity's business, and the dissemination of information related to sustainability.
- In March 2023, the prudential supervisor (the Office of the Superintendent of Financial Institutions or “OSFI”) published a [guideline](#) on Climate Risk Management, to take effect fiscal year-end 2024 or fiscal year-end 2025 depending on the type of federally regulated financial institution (FRFI). The Guideline presents three expected outcomes: (i) the FRFI understands and mitigates against potential impacts of climate-related risks to its business model and strategy; (ii) The FRFI has appropriate governance and risk management practices to manage identified climate-related risks; and (iii) the FRFI remains financially resilient through severe, yet plausible, climate risk scenarios, and operationally resilient through disruption due to climate-related disasters. OSFI intends to review and amend this Guideline as practices and standards evolve.
- In Chile, the financial regulator’s (CMF) planning considers the development of regulations on climate risks.
- In Colombia, the financial supervisor (SFC) published an update of its Green Finance and Climate Change Strategy and attached a specific roadmap for the insurance industry. As a result of this Strategy, the SFC will publish a voluntary guideline for managing climate risk. The objective of the guideline is to present supervisory expectations and provide guidance and tools for insurers regarding aspects to consider when incorporating climate risk factors into their business decisions, including risk management. The expectations are presented as principles and are structured around four sections:
 - (i) The incorporation of climate risk factors in the governance and strategy of insurers;
 - (ii) The incorporation of financial risks derived from climate change as part of companies’ risk management, and the use of scenario analysis as a prospective tool;
 - (iii) Disclosure of information on climate risks and opportunities to which insurers are exposed; and,
 - (iv) The prospects for the evolution of the insurance industry considering the incorporation of these issues.

The structure of the guideline, as well as the spirit of the principles discussed, were delimited from the FSB TCFD Recommendations, from the results of a diagnostic exercise carried out in 2022 of the insurance industry, the good practices identified, and the expectations guides consolidated by other supervisory authorities.

- Colombia’s (SFC) has issued [External Circular 007/2021](#) applicable to insurer investment policies, which requires insurers to mention in their investment policy whether they include the evaluation of environmental, social, and governance (ESG) and climate risks, and if no mention is made, the reasons why they are not included. When the insurer decides to incorporate analysis of ESG risks, it should also submit reports to the board of directors at the frequency established by the investment policy, in relation to ESG and climate issues and risks. SFC will publish a guideline for managing climate risks for insurers, with voluntary principles on the disclosure of climate-related risks. In this regard, the SCF is expecting that insurers will release climate reports to the market on an annual basis, considering the TCFD Recommendations, including the metrics as proposed in this framework, or in the SASB Standards, or any framework or standard that replaces them.
- The European Union has undertaken many governance-related initiatives in relation to sustainability risks, which are being adopted by EU Member States, including:

- *Sustainability considerations in insurance product distribution rules:* From August 2022, the Insurance Distribution Directive (IDD) requires: (i) the assessment and consideration of a customer’s sustainability preferences when providing advice on insurance-based investment products (IBIPs) via a suitability assessment; (ii) the integration of sustainability risks in the product oversight and governance rules (see below), which require the regular evaluation of products to ensure that they offer value for customers.
 - *Sustainability-related disclosures:* From 2025, the [Corporate Sustainability Reporting Directive](#) (CSRD) requires all large and listed insurance companies to report on the risks and impacts of ESG factors on their financial statements, as well as the risks and impacts of their activities on ESG factors (double materiality approach) using EU sustainability reporting standards (ESRS). From 2023, the Sustainable Finance Disclosure Regulation (SFDR) requires insurers to provide: *entity-level disclosures* (website) on policies on the integration of sustainability risks into investment decisions (including remuneration policies) and metrics on principal adverse sustainability impacts, and *product-level disclosures* (pre-contractual, website and periodic) for sustainable products, using specific templates. These measures are additional to the [Taxonomy Regulation \(EU\) 2020/852](#) and the [Regulation \(EU\) 2019/2088 on sustainability-related disclosures in the financial services sector](#).
 - *Revised Solvency II regulation:* As of August 2022, sustainability risks are to be integrated into the governance of (re)insurance undertakings. Amendments to the Delegated Regulation ([DR 2021/1256](#)) for instance require (re)insurers to reflect sustainability risks in their (i) risk management / Own Risk and Solvency Assessment (ORSA), (ii) underwriting and reserving, and (iii) investment portfolio. The actuarial function is required to consider sustainability risks in its assessment of the uncertainty associated with estimates made in the calculation of technical provisions. Remuneration policy is required to include information on its consistency with the integration of sustainability risks. In a new article, implementation of the Prudent Person Principle should take into account sustainability risks, as well as the long-term impacts of their investment strategy or decisions on sustainability factors.
 - *Due diligence:* The Corporate Sustainability Due Diligence Directive (CSDDD), currently being developed, introduces human rights and environmental due diligence requirements (e.g. to identify, prevent, mitigate and bring to an end adverse impacts), as well as the adoption of a transition plan in line with the Paris Agreement objectives.
 - *Review of Solvency II regulation:* A proposal in the context of the Solvency II review (under development) would require scenario analysis in the ORSA (Art 45a), notably that insurers would have to identify any material exposure to climate change risks and, where relevant, assess the impact of long-term climate change scenarios on their business. Insurers classified as low-risk profile undertakings would be exempted from this requirement.
- In Ireland, the Central Bank recently published [Guidance for \(Re\)Insurance Undertakings on Climate Change Risk](#) which set out expectations of (re)insurers on governance.
 - In the Netherlands, the supervisor (the central bank or DNB) published in 2023 a [Guide to managing climate and environmental risks](#). In this Guide, the DNB provides insurers and other financial institutions with focal points and good practices for managing climate and environmental risks. The “Focal points for managing risks” outline focal areas for integrated climate and environmental risk management.
 - In Japan, the revised Corporate Governance Code (adopted in June 2021) requires listed companies to establish a basic policy on sustainability and disclose their own related initiatives. Companies

listed on the Prime Market should enhance the quality and quantity of climate change disclosure based on the TCFD or equivalent international frameworks.

- In New Zealand, the [Financial Sector \(Climate-related Disclosures and Other Matters\) Amendment Act 2021](#) (see also [here](#)) amended the *Financial Markets Conduct Act 2013 (FMC Act)*, the *Financial Reporting Act 2013*, and the *Public Audit Act 2001* to support climate-related disclosures. The new law will require around 200 large financial institutions covered by the FMC Act to start making climate-related disclosures. These institutions will be required to publish disclosures from financial years commencing on or after 1 January 2023, in accordance with climate standards published by the External Reporting Board (XRB). The *Climate Change Response (Zero Carbon) Amendment Act* enables the XRB, which has the task of setting climate-related standards, to set specific standards for disclosure of ESG activities. This work has not yet commenced.
- In the United States, state insurance regulators have updated the National Association of Insurance Commissioners (NAIC) [Climate Risk Survey](#) to better align with TCFD standards. The updated survey includes additional information on climate risk governance.

Product governance and market conduct

- See paragraph 46 above for recent initiatives on this topic.

Stewardship of investments

- In Europe, the European Commission’s 2021 [Strategy for Financing the Transition to a Sustainable Economy](#) identifies the clarification of fiduciary duties and stewardship rules of investors as a key measure in order to align investment strategies and engagement activities with the goals of the European Green Deal. For this purpose, the Strategy envisages that the fiduciary duties of investors and pension funds towards members and beneficiaries should reflect the “inside-out” ESG risks of investments and their impact on sustainability factors. In this regard, the Commission intends to ask EIOPA to examine the possible need to enlarge the concept of “long-term best interest of members and beneficiaries”. In terms of stewardship, the Commission intends to “review relevant frameworks relating to investors’ stewardship and engagement activities”, particularly the Shareholder Rights Directive.

Digitalisation

- In 2021, the European Commission adopted a cross-sectorial legislative proposal on artificial intelligence (AI). The proposal aims to regulate the development, deployment, and use of AI systems according to a risk-based approach. AI applications that are considered high-risk AI under this framework will be subject to specific governance requirement before they are put into service.
- In the UK, in 2022, the Bank of England released a [Discussion Paper 5/22 – Artificial Intelligence and Machine Learning](#) that stresses how good governance is essential for supporting the safe and responsible adoption of AI. In the UK, in 2022, the Bank of England released a [Discussion Paper 5/22 – Artificial Intelligence and Machine Learning](#) that stresses how good governance is essential for supporting the safe and responsible adoption of AI. This is because governance underpins proper procedures and effective risk management across the AI lifecycle, by putting in place the set of rules, controls, and policies for a firm’s use of AI.
- In the United States, through the NAIC, state insurance regulators adopted [guiding principles](#) for insurer use of Artificial Intelligence. State insurance regulators are in the process of developing an NAIC Model Bulletin which would provide additional guidance around AI governance frameworks.

Diversity, equity, and inclusion (DEI)

- In Australia, the update to the [ASX Corporate Governance Principles and Recommendations](#) included a new provision on diversity (under Recommendation 1.5), whereby for a listed entity in the S&P/ASX300 Index, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.
- In 2023, the Government of Canada announced its intention to adapt and apply the diversity disclosure requirements from the Canada Business Corporations Act (which governs federally incorporated companies) to federally regulated financial institutions. If adopted into legislation, federally regulated financial institutions will be required to disclose representation of designated groups (like women and persons with disabilities) on their boards of directors and in senior management.
- At the EU level, legislation has recently been adopted that will impact insurers. The EU Directive on gender balance in corporate boards requires large, listed EU companies to have transparent board appointment procedures by June 2026 and to have: (a) 40% of the under-represented sex among non-executive directors on the board; or (b) 33% of the under-represented sex among all directors on the board. On the voluntary front, in 2022, Insurance Europe signed a [joint declaration](#) with European insurance social partners committing to supporting insurers to make DEI an integral component of their culture and business strategies. The declaration provides key principles for European insurers on the introduction of any Diversity and Inclusion (D&I) strategy.
- In New Zealand, the earlier-noted [thematic review](#) on governance released by the Reserve Bank of New Zealand (RBNZ) and the Financial Markets Authority (FMA) in 2023 touches on diversity. The RBNZ and FMA expect boards to actively consider their own diversity, including board specific diversity policies and targets, and also expect diversity considerations to form a part of succession planning, skills and capabilities assessments, and appointments. In the thematic review, it is noted that diversity includes aspects such as gender, ethnicity, cultural background, age and skills. The Insurance Council of New Zealand has, in addition to implementing its own D&I Policy in 2021, started work to collect industry statistics on gender pay gaps, which will be expanded in time to also cover pay gaps by ethnicity.
- In the UK, in 2021, the Bank of England, Prudential Regulation Authority, and the Financial Conduct Authority published a joint [Diversity and Inclusion Discussion Paper](#). The FCA has since conducted work on D&I, with a [paper](#) that reviews the current state of diversity and inclusion in the financial sector, sets out the case that more progress advances its objectives, and proposes some areas for potential policy intervention, which will provide the basis for a Consultation Paper in 2023.
- In 2022, the IAIS published a [Stocktake on diversity, equity, and inclusion in the insurance sector](#), giving insight into the actions IAIS member insurance supervisors, other international organisations, and the insurance industry are taking to advance DEI in the insurance sector.

Corporate culture

- In Australia, the prudential regulator (APRA) released [observations](#) from a survey of prudentially regulated entities (including insurers) on their risk culture. The observations from the survey are available [here](#). APRA supervisors will consider an entity's survey results, together with other supervisory information, in order to strengthen their assessment of a regulated entity's risk culture.
- In Canada, in February 2023, the prudential regulator (OSFI) published a draft [guideline](#) on Culture and Behaviour Risk for public consultation. The draft guideline provides guidance to federally regulated financial institutions on how to achieve three outcomes: (i) culture and behaviour are designed and governed through clear accountabilities and oversight; (ii) desired culture and

expected behaviours are proactively promoted and reinforced; and (iii) risks emerging from behavioural patterns are identified and proactively managed.

- In Colombia, the focus of supervision (by the financial supervisor, SFC) has recently changed, and greater importance has been given to aspects related to the corporate culture of the SFC-supervised entities. Therefore, when identifying and mitigating, in a prospective manner, the risk factors that generate impacts on financial consumers, it is necessary to have a broad knowledge of the business models of said entities, their incentive and remuneration schemes, the ethics of their officers and, in general, their corporate culture.
- In 2021, the IAIS released an [Issues Paper on Insurer Culture](#) which provides exploratory observations on the importance of insurer culture for insurers and supervisors, with the aim of advancing these observations through further engagement and the possible development of additional IAIS material, as required.

Cyber and operational resilience

- In Australia, since 2016, the market conduct regulator (ASIC) has been asking financial market firms to complete self-assessment surveys about their cyber resilience. In 2023, ASIC will run a voluntary cross-sectoral survey to ask entities to self-assess their cyber security and controls, governance arrangements and incident preparedness. The survey results will reflect the way regulated firms view their investment in prevention and planning, and where the strengths and weaknesses are. This will allow ASIC to tailor its regulatory approach to cyber resilience to what is needed in different sectors. Directors are also encouraged to read [AICD's Cyber Security Governance Principles](#) published in 2022 to assist with navigating the areas of responsibility.
- In Canada, in 2022, the prudential regulator (the Office of the Superintendent of Financial Institutions or "OSFI") for federally regulated financial institutions (FRFIs) introduced a [Guideline on Technology and Cyber Risk Management](#). The Guideline is organised into three domains (governance and risk management, technology operations and resilience, and cyber security), with corresponding desired outcomes. OSFI indicated that the risk environment, where geopolitical tensions and the interconnectivity of the global financial system and technology-based infrastructure have increased the threat of cyber attacks, has created an urgency for enhanced regulatory guidance for FRFIs on technology and cyber risk management.⁶
- In Colombia, in regard to cyber risk, [External Circular 007 of 2018](#) established minimum requirements for the management of information security and cybersecurity; for example: (i) insurers have to establish a unit that manages the risks of information security and cybersecurity; (ii) this unit must be kept updated, and in a specialised manner so that it remains aware of any new modalities of cyberattacks that could affect the entity; and (iii) supervised entities must define policies in accordance with their risk assessment and reasonableness criteria. In regard to operational resilience, the financial regulator (SFC) issued [External Circular 014 of 2022 \(CE 014/22\)](#), which permanently adopted temporary instructions issued during the health emergency related to COVID-19. This circular made permanent the rules on strengthening business continuity plans, the provision of financial services through digital channels, the establishment of rules for the reimbursement of premiums when insured risk has been reduced, and the management of resources from government-established economic support programs.
- For EU Member States, the Digital Operational Resilience Act (DORA) for the financial sector will apply from January 2025 ([Regulation \(EU\) 2022/2554](#)). The new regulation lays down explicit governance requirements in regard to the management of ICT risks. In particular, DORA foresees ultimate responsibility of the management body for managing the financial entity's ICT risk.

⁶ See [OSFI News Release, 13 July 2022](#).

- In Japan, given the importance of ensuring that financial institutions can continue to provide critical services at a minimum sustainable level, the Japanese Financial Services Agency (JFSA) published a discussion paper on operational resilience in April 2023, which outlines practical issues and challenges (see [Discussion Paper on Ensuring Operational Resilience](#)).
- In the UK, the prudential regulator (PRA) published a [Prudential Regulation Authority Rule on Operational Resilience for Insurance](#) and a [Supervisory Statement \(SS1/21\) “Operational Resilience: Impact tolerances for important business services”](#). In PS21/3, the market conduct regulator FCA sets out its final rules and guidance on new requirements for firms to strengthen operational resilience in the financial services sector.
- In 2022, the IAIS published an [Issues Paper on Insurance Sector Operational Resilience](#). The objective of the paper was to identify issues impacting operational resilience in the insurance sector and provide examples of how supervisors are approaching these developments, with consideration of lessons learnt during the Covid-19 pandemic. This paper addresses three specific operational resilience topics that the IAIS considered to be matters of significant and increasing operational risk, namely: cyber resilience; third-party outsourcing; and business continuity management.

Claims management

- In Colombia, the financial regulator (SFC) is studying alternatives to having direct access to insurer information on claims through a standardised, automatic, and efficient data structure for gathering information on and supervising the status of insurance claims, with information on the claims for each branch of insurance and on variables that allow for the calculation of technical reserves and the monitoring of claims. Additionally, a guide for SFC internal use is being evaluated, which will help supervisory staff in evaluating the reasonableness of the documentation required by insurance companies at the time of claims by financial consumers. Through risk-based supervision, insurance companies are expected to avoid negatively affecting the interests of financial consumers, and to deal with insurance claims in a timely manner.
74. In addition to gathering information about recent initiatives, the survey questionnaire also sought inputs on challenges or issues with insurer governance. Identified challenges and issues include:
- One respondent indicated that *insurance risk management capabilities* will continue to be a focus. This Adherent mentioned that issues with business interruption insurance at the height of COVID-19 resulted in a series of legal disputes and created significant uncertainty for policyholders. The supervisory authority conducted an insurance risk management thematic review, which involved some general insurers and considered the root causes of these issues, with the intention of avoiding similar problems in other product lines, particularly cyber-related products. Insurers that were not part of the review are being encouraged to conduct similar assessments and incorporate learnings into their own operations.
 - Another respondent (EU Member State) indicated that one of the key challenges is the *alignment of governance practices with broader public sustainability objectives* (in this case, the European Green Deal), in particular regarding the taking into account of sustainability risks and the assessment of an undertaking’s external impacts on sustainability factors.
 - One respondent noted a recent intervention of a general insurance company due to mismanagement of underwritten businesses and little control over its corporate practices. The Adherent mentioned the need for greater involvement of the *Board of directors in the management of operational risk and cybersecurity, and risks derived from climate risk and claims management*. This is also true of the increased use of *digital, artificial intelligence and other similar tools*.
 - Another respondent highlighted important challenge of *implementation of IFRS 17 and risk-based solvency standards* aligned with Solvency II. Boards and senior management will need to be trained to understand the changes resulting from these standards. This same Adherent also noted

deficiencies regarding *insurer policies and procedures to carry out periodic performance evaluations* of the board of directors, its committees, and its members.

- One respondent mentioned that one of the emerging challenges is the *ownership of insurers by the private equity funds*, while another respondent indicated that they have discussed with insurers issues relating to flexibility in the *definition of groups* and *compensation requirements*.
- One respondent noted the problem of insurers failing to *provide adequate resources for the key functions*, with inadequate human resource or the performance of other tasks by persons performing tasks within these functions.
- A respondent noted that challenges and issues in insurer governance include *complex ownership structures, new entrants into insurance* that have limited experience in insurance regulation and governance, and *emerging issues such as data use and cybersecurity*.

Next steps

75. The IPPC will consider the need for revisions to the Recommendation in light of the findings of the Report. If revisions are identified, the IPPC will return to the Council with a draft revised Recommendation for adoption by the Council.

76. If based on this evaluation the IPPC decides not to propose revisions to the Recommendation, given the already high level of implementation of the current version of the Recommendation, it would not be an efficient use of resources to ask the Committee to conduct another review of implementation in the next 5 years, as the results would likely be the same. Instead, the Council could invite the Committee to report back in 10 years on new developments related to the implementation and dissemination of the Recommendation focusing in particular on its continued relevance.