

U.S. Financial Sector Assessment Program (FSAP) Corporate Governance/Risk Management Related Recommendations¹

Source Doc.	Topic	Recommendation
Ins. DAR p. 22	ICP 7: Suitability of Persons	Specific requirements in relation to individuals' fitness and propriety should be adopted. Gaps in the requirements of departments should be filled—companies should have to notify the department of concerns about the fitness and propriety of key individuals and departments should be able to disallow functionaries from holding two positions that could result in material conflict.
Ins. DAR p. 22	ICP 9: Corporate Governance	As examiners gain experience, the NAIC and/or departments should consider issuing more guidance on good and bad practices in corporate governance for insurers. This would help examiners and firms to develop a clearer expectation of what constitutes effective governance for insurance business, including for groups.
Ins. DAR p. 22	ICP 10: Internal Controls	As examiners gain experience, the NAIC and/or departments should consider the scope for issuing guidance on good and bad practices in internal control. They should also make it a formal requirement for insurers to have an internal audit function. Such a function is now widely considered as an important part of a good control framework—similarly to audit committees, where there are now extensive requirements of all but the smaller insurers.
Ins. DAR p. 22	ICP 15: Enforcement or Sanctions	The insurance laws should be changed to provide the supervisory authority with powers to fine individual directors and senior managers of insurers, and to bar them from acting in responsible capacities in the future.
Ins. DAR p. 23	ICP 18: Risk Assessment and Management	The relevant laws, regulations or standards should be changed to include a requirement that an insurer have in place comprehensive risk management policies and systems capable of promptly identifying, measuring, assessing, reporting and controlling their risks.
Ins. DAR p. 23	ICP 19: Insurance Activity: Board Approval Requirement	The relevant laws or regulation should explicitly provide that an insurer must have in place strategic underwriting and pricing policies approved and reviewed regularly by the Board.

¹ Recommendations provided by the IMF Team in the FSAP Financial System Stability Assessment (FSSA) and Insurance Detailed Assessment Report (DAR).