

Topic	IAIS Standards	Australia	Canada	Switzerland	United Kingdom
<b>Suitability Legislation (ICP 5)</b>	Legislation must identify which persons must meet suitability requirements.	Insurers must prudently manage the risk to their business or financial standing that persons acting in responsible person positions are not fit and proper. Insurers must have a written policy, approved by the Board, relating to the fitness and propriety of its responsible persons. Each insurer must clearly define and document the competencies required for each responsible person position. The Fit and Proper Policy must include the processes to be undertaken in assessing whether a person is fit and proper for a responsible person position. All of these elements are reviewable and enforceable by the supervisor. (GPS 520, LPS 520)	<p>The legislation sets out as a condition for incorporation that OSFI consider competence and experience of proposed directors and senior officers and verifies criminal records. OSFI relies on the company’s own internal processes for assessing the ongoing suitability and integrity of these individuals post authorization taking into account the expectations contained in Guideline E-17.</p> <p>All companies are expected to identify as Responsible Persons individuals who play a significant role in the management of the company. A Responsible Person is defined within the guideline. Where warranted, OSFI applies a risk-based approach to assessing the company’s processes. (Guideline E-17)</p>	Legislation outlines the individuals that must meet fit and proper suitability requirements. This includes key persons in leadership and control positions throughout the organization and those individuals charged with the risk management of the insurer. (Articles 14 and 67 of the ISA)	<p>Under legislation, the FSA may grant an application for approval only if it is satisfied that the candidate is fit and proper to perform the controlled function to which the application relates. (FIT)</p> <p>Individuals performing functions that require approved person status include the following functions:</p> <ul style="list-style-type: none"> <li>• Director</li> <li>• Chief executive</li> <li>• Compliance oversight</li> <li>• Actuarial</li> <li>• Systems and controls</li> <li>• Significant management (SUP 10)</li> </ul>
<b>Qualifications (ICP 5)</b>	The supervisor must require that in order to be suitable, Board Members, Senior Management and Key Persons in Control Functions possess integrity and competence to fulfill their roles.	<p>Individuals must possess the competence, character, diligence, honesty, integrity and judgment to perform properly the duties of the responsible person position. (GPS 520, LPS 520)</p> <p>The Board must ensure that directors, and senior management of the regulated institution, collectively, have the full range of skills needed for the effective and prudent operation of the regulated institution, and that each director has skills that allow them to make an effective contribution to Board deliberations and processes. (GPS 510, LPS 510)</p>	<p>Companies are required to obtain sufficient information to allow them to conclude that the Responsible Person possesses the suitability and integrity to perform their duties. Such information could include:</p> <ul style="list-style-type: none"> <li>• Criminal records;</li> <li>• Records of securities-related sanctions or disciplinary actions by a professional regulatory body;</li> <li>• Evidence of education, skills, professional qualifications and experience;</li> <li>• Attestation that the Responsible Person has not been held liable for financial or business misconduct, fraud or mismanagement; and</li> <li>• Attestation that the Responsible Person has no conflicts of interest. (Guideline E-17)</li> </ul>	<p>As a whole, the board of directors must have both general expertise and the necessary strategic insurance knowledge so that it can fulfill its responsibilities of supervising and directing the activities of the undertaking, especially in order to understand and assess the transactions, processes, and risks of the undertaking.</p> <p>The members of the board of directors must vouch for sound and proper business conduct by having appropriate expertise (see above) and appropriate experience (fitness) and by enjoying a good reputation (properness). (Directive 15/2006)</p>	<p>The FSA will have regard to a number of factors when assessing the fitness and propriety of a person to perform a particular controlled function. The most important considerations will be the person's:</p> <ul style="list-style-type: none"> <li>• honesty, integrity and reputation;</li> <li>• competence and capability; and</li> <li>• financial soundness.</li> </ul> <p>A substantial amount of additional supporting information is included within the Handbook rules in this area. (FIT)</p>

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<b>Significant Owners (ICP 5)</b>	Significant Owners are required to have the financial soundness and integrity required to fulfill their roles.	<p>There are no specific requirements placed on significant owners unless they are also a responsible person (as defined) and therefore subject to the suitability requirements set out above.</p> <p><i>The Financial Sector (Shareholdings) Act 1998</i> (FSSA) restricts holdings of more than 15% in a financial sector company (or its holding company) without prior approval from the Treasurer. Approval is delegated to APRA when the size of the target is below predetermined limits. Approval depends on ‘national interest’ considerations (as defined). For the purposes of the 15% limit, all associations must be aggregated (i.e. it is not possible to avoid the limitation by 7 associates each holding 14%).</p>	<p>Significant owners are subjected to the legislative requirements outlined above as a condition for incorporation.</p> <p>For example, OSFI imposes “Fit and Proper” requirements for significant owners. OSFI screens all persons who own or control, directly or indirectly, significant interests in Federally Regulated Financial Institutions (FRFIs). This screening is done prior to the approval of a new FRFI and when ownership interests change.</p>	No specific requirements placed on significant owners, unless the owner is operating in a director or senior management position subject to the suitability requirements listed above.	No specific requirements placed on significant owners, unless the owner is functioning in an approved person capacity as outlined above.
<b>Demonstration of Suitability (ICP 5)</b>	The insurer must be required to demonstrate the suitability of key persons and significant owners.	<p>A regulated institution must, within 28 days of when this Prudential Standard applies to it, notify APRA of the following information for each responsible person:</p> <ul style="list-style-type: none"> <li>• the person’s full name;</li> <li>• the person’s date of birth (for identification purposes only);</li> <li>• the person’s position and main responsibilities; and</li> <li>• a statement of whether the person has been assessed under the Fit and Proper Policy.</li> </ul> <p>(GPS 520, LPS 520)</p>	OSFI assesses competence and experience of proposed directors and senior officers and verifies criminal records at incorporation. OSFI relies on the company’s own internal processes for assessing the ongoing suitability and integrity of these individuals post authorization. As part of its regular supervisory practices, OSFI may periodically, where warranted, verify the assessments conducted by the company in accordance with its risk-based supervisory approach. (Guideline E-17)	Insurers are required to submit information regarding the appointments of directors and senior management which is subject to the review and approval of the supervisor. (Circular 2008/27)	<p>A firm must take reasonable care to ensure that a candidate does not perform controlled functions unless he has prior approval from the FSA.</p> <p>The FSA may grant an application only if it is satisfied that the candidate is fit and proper to perform the function stated in the application. Responsibility lies with the firm making the application to satisfy the FSA that the candidate is fit and proper to perform the function applied for. (SUP 10)</p>

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<b>Notification of Changes (ICP 5)</b>	Supervisors must require notification of any changes or circumstances effecting suitability.	<p>A regulated institution must ensure that the information provided above remains correct for all of its responsible persons. It must provide revised information to APRA within 28 days of any change or new appointment.</p> <p>A regulated institution must notify APRA within 10 business days if it assesses that a responsible person is not fit and proper. If the person remains in the responsible person position, the notification must state the reason for this and the action that is being taken. (GPS 520, LPS 520)</p>	No specific requirements to notify OSFI of changes or circumstances effecting suitability identified. However, the company is required to update its internal assessments under these circumstances and make decisions in accordance with its Assessment Policy. This assessment and associated actions must be documented and made available to OSFI as requested in accordance with its risk-based supervisory approach. (Guideline E-17)	Periodic reporting on the organization of insurance groups requires a description of the suitability of directors and senior managers. Any changes would be communicated to the supervisor through this reporting process. (Circular 2008/27)	If a firm becomes aware of information which would reasonably be material to the assessment of an approved person's, or a candidate's, fitness and propriety, it must inform the FSA as soon as practicable. (SUP 10)
<b>Appropriate Action (ICP 5)</b>	Supervisor must have the authority to take appropriate action when requirements are not met.	<p>Where a regulated institution has assessed that a person is not fit and proper, the institution must take all steps it prudently can to ensure that the person is not appointed to or does not continue to hold a responsible person position. (GPS 520, LPS 520)</p> <p>On application by APRA, the Federal Court of Australia may, by order, disqualify a person for a period that the Court considers appropriate, if the Court is satisfied that:</p> <ul style="list-style-type: none"> <li>the person is not a fit and proper person to be or act as such a person; and</li> <li>the disqualification is justified.</li> </ul>	Persons who do not possess the required suitability and integrity for a particular position should not be appointed. If OSFI determines that the company has taken insufficient action to resolve a situation deemed to be of material risk, it has legislative authority to take remedial action. The Superintendent may remove directors, certain senior officers, principal officers and chief agents. These powers apply independently of a company's powers and duties, regardless of whether the company is of the opinion that the Responsible Person meets the criteria of suitability and integrity. (Guideline E-17)	In all administrative proceedings, FINMA will impose the measures it deems most appropriate to enforce compliance with the law, having regard to the principle of due proportionality. The measures available range from a reprimand (declaratory ruling, Art. 32 FINMASA) to specific orders to restore compliance with the law (Art. 31 FINMASA), as well as to prohibition against individuals from practicing their profession (Art. 33 FINMASA) and to revocation of licenses (Art. 37 FINMASA).	As indicated above, the FSA must grant approval before a person can assume a controlled function. If the FSA proposes to refuse an application in relation to one or more controlled functions, it must follow the procedures for issuing warning and decision notices to all interested parties. (SUP 10)

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		<p>APRA may also direct an insurer to remove a responsible person outside of the court process. (However, this does not disqualify that person from seeking a position with another entity.) (Insurance Act 1973, Life Insurance Act 1995)</p>			
<p><b>Information Exchange (ICP 5)</b></p>	<p>Supervisor must be able to exchange information with other jurisdictions where necessary to check the suitability of persons.</p>	<p>APRA should, in performing and exercising its functions and powers, co-operate with other financial sector supervisory agencies, and with other agencies. (APRA Act 1998)</p> <p>APRA has concluded Memoranda of Understanding (MoU) with 19 foreign regulators, which provide a formal basis for the exchange of information of a confidential nature. APRA is also a signatory to the IAIS MMOU.</p>	<p>Nothing in the code precludes the Superintendent from disclosing information, to any government agency or body that regulates or supervises financial institutions for purposes related to the regulation or supervision of the financial institution. However, the Superintendent must be satisfied that the information will be treated as confidential by those to whom it is disclosed (Section 998 of the Insurance Companies Act of 1991, and Subsection 22(2) of the OSFI Act).</p>	<p>In order to enforce the financial market acts, FINMA may request foreign authorities responsible for financial market supervision to provide information and documents.</p> <p>FINMA may hand over information and documents that are not publicly accessible to foreign authorities responsible for financial market supervision only if the foreign authorities are bound by official or professional secrecy and the information is used exclusively for the direct supervision of foreign institutions; and is passed on to competent authorities or to bodies that are entrusted with supervisory duties that lie in the public interest only on the basis of a general authorization in an international treaty or with the consent of FINMA. (Federal Act on the Swiss Financial Market Supervisory Authority art. 42)</p>	<p>At the request of an overseas regulator, the FSA may use its power under section 165 to require the production of documents or the provision of information under section 165 or to appoint a person to investigate any matter.</p> <p>This does not impose an obligation on the FSA to disclose particular information to other bodies, except where regulatory action or litigation is being undertaken. However, the FSA has a statutory duty, under section 354, to cooperate with other supervisors, whether in the UK or elsewhere, and to assist in the prevention or detection of financial crime. The legislation accordingly makes provision for the disclosure to such persons of information which would otherwise be subject to confidentiality protections. (Companies Act of 2006)</p>

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<b>Duties of Board (ICP 7)</b>	<p>The supervisor must require the insurer’s Board to set, and oversee the implementation of the insurer’s business objectives and strategies for achieving those objectives, including its risk strategy, risk appetite and risk tolerance levels, in line with the insurer’s long term interests and viability.</p> <ul style="list-style-type: none"> <li>Objectives and strategies are reviewed at least annually.</li> <li>Clear and objective performance goals and indicators should be set.</li> </ul> <p>The Board must ensure that there is an appropriate separation of the oversight function and mgmt. responsibilities, with clearly defined roles. Adequate oversight must be provided to Senior Management.</p> <p>The supervisor must require the insurer’s Board to provide oversight in respect of the design and implementation of sound risk management, compliance and internal control systems and functions.</p>	<p>The Board of directors of a regulated institution is ultimately responsible for the sound and prudent management of the regulated institution. The Board of a regulated institution must have a formal charter that sets out the roles and responsibilities of the Board. An insurer must at all times have a risk management framework to manage the risks arising from its business. (GPS 510, LPS 510)</p> <p>The insurer must at all times maintain a Business Plan (including a description of the insurer’s approach to capital management) approved by the Board. (GPS 220, LPS 220)</p> <p>The Board, in fulfilling its functions, may delegate authority to management to act on behalf of the Board with respect to certain matters, as decided by the Board. This delegation of authority must be clearly set out and documented. The Board must have mechanisms in place for monitoring the exercise of delegated authority. The Board cannot abrogate its responsibility for functions delegated to management. (GPS 510, LPS 510)</p>	<p>Duty to manage - The directors of a company shall manage or supervise the management of the business and affairs of the company. (Insurance Companies Act – 1991, c. 47)</p> <p>The basic oversight responsibilities of boards include:</p> <ul style="list-style-type: none"> <li>reviewing and approving organizational structure and controls;</li> <li>reviewing and approving procedural controls, and satisfying themselves that these controls are operating effectively;</li> <li>ensuring that the CEO and senior management are qualified, competent and compensated in a manner consistent with appropriate incentives;</li> <li>taking an active role in the choice, review and approval of strategies, business objectives and plans;</li> <li>reviewing and approving policies for major initiatives and activities;</li> <li>monitoring of performance against business objectives, strategies and plans;</li> <li>obtaining reasonable assurance on a regular basis that the institution is operating within an appropriate control framework; and</li> <li>undertaking succession planning for the position of CEO and other critical management positions.</li> </ul> <p>(Corporate Governance Guideline – January 2003)</p>	<p>In particular, the board of directors is responsible for overall direction, organization, and supervision of the undertaking and must be composed in such a way that it as a whole can fulfill these responsibilities. Inter alia, this also requires appropriate availability.</p> <p>The undertaking shall guarantee and document risk management procedures appropriate to its business with respect to all significant risks.</p> <p>The undertaking shall implement and document an effective internal control system appropriate to its business. (Directive 15/2006)</p> <p>The Board of Directors is responsible for the design and implementation of a remuneration policy and issues the rules relating thereto. (Circular 2010-1)</p>	<p>A firm must take reasonable care to maintain a clear and appropriate apportionment of significant responsibilities among its directors and senior managers in such a way that:</p> <ul style="list-style-type: none"> <li>it is clear who has which of those responsibilities; and</li> <li>the business and affairs of the firm can be adequately monitored and controlled by the directors, relevant senior managers and governing body of the firm.</li> </ul> <p>A firm must appropriately allocate to one or more individuals the functions of dealing with the apportionment of responsibilities and overseeing the establishment and maintenance of systems and controls.(SYSC)</p>
<b>Board Structure (ICP 7)</b>	<p>The supervisor must require the Board to have, on an on-going basis:</p> <ul style="list-style-type: none"> <li>an appropriate number</li> </ul>	<p>The Board of a regulated institution must have a minimum of five directors at all times. The Board must have a majority of</p>	<p>A company shall have at least seven directors. No more than two thirds of the directors may be persons affiliated with the company. (Insurance</p>	<p>The members of the board of directors shall ensure that their personal and professional arrangements avoid conflicts of</p>	<p>No specific requirements noted, but “The Board should be of sufficient size that the requirements of the business</p>

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	<p>and mix of individuals to ensure that there is an adequate level of knowledge, skills and expertise at the Board level commensurate with the nature, scale and complexity of the insurer’s business;</p> <ul style="list-style-type: none"> <li>• appropriate internal governance practices and procedures to support the work of the Board in a manner that promotes the efficient, objective and independent judgment and decision making by the Board; and</li> <li>• adequate powers and resources to be able to discharge its duties fully and effectively.</li> </ul>	<p>independent directors at all times. The chairperson of the Board must be an independent director of the regulated institution.</p> <p>The Board must ensure that directors, and senior management of the regulated institution, collectively, have the full range of skills needed for the effective and prudent operation of the regulated institution, and that each director has skills that allow them to make an effective contribution to Board deliberations and processes. (GPS 510, LPS 510)</p>	<p>Companies Act – 1991, c. 47)</p> <p>The Board of Directors is assessed on a number of criteria by OSFI during on-site examinations, including stewardship and oversight of management and operations of the institution. (Board of Directors – Assessment Criteria).</p> <p>While these criteria are not classified as requirements, OSFI considers the Board a key component when assessing the quality of risk management. An overall rating of the Board of Directors is reached after OSFI considers its characteristics and effectiveness in carrying out its role and responsibilities.</p> <p>Ratings are provided to the company after each on-site review. The ratings are linked to the stages of intervention in accordance with the Guide to Intervention for Federal Financial Institutions (Supervisory Framework).</p>	<p>interest with the undertaking to the extent possible.</p> <p>In principle, the chairman of the board of directors may not simultaneously serve as chief executive officer. (Directive 15/2006)</p>	<p>can be met and that changes to the board’s composition can be managed without undue disruption, and should not be so large as to be unwieldy. The board should include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board’s decision taking”. In addition, “there should be a clear division of responsibility at the head of the company between the running of the board and the executive responsibility for the running of the company’s business.” (UK Corporate Governance Code)</p>
<p><b>Board Committees (ICP 7)</b></p>	<p>To support the effective discharge of the responsibilities of the Board, the Board should assess whether the establishment of committees of the Board is appropriate. Committees that a Board may commonly establish, depending on the nature, scale and complexity of operations of the insurer, include the audit, remuneration, ethics, compliance and nomination committees.</p>	<p>The Board must appoint Remuneration and Audit Committees. Regulation spells out the oversight, structure and independence required of these committees. (GPS 510, LPS 510)</p>	<p>The Board must appoint an Audit Committee and a Conduct Review Committee, which reviews related party transactions. A majority of both committees’ members must be independent and no employees of the company or a subsidiary of the company may sit on either committee. The directors of a company may appoint other committees as they deem necessary and delegate such powers and duties as the directors consider appropriate. (Insurance Companies Act – 1991, c. 47)</p>	<p>As part of its statutory organizational authority, the board of directors shall appoint board committees depending on the size and complexity of the undertaking's business for the purpose of improving monitoring and control (e.g. an audit committee, a nomination or compensation committee). (Directive 15/2006)</p>	<p>Insurers that are public issuers must have an audit committee with at least one independent member and one member with competence in accounting and/or auditing. (DTR 7)</p>

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<b>Duties of Board Members (ICP 7)</b>	<p>The supervisor must require the individual members of the Board to:</p> <ul style="list-style-type: none"> <li>• Act in good faith;</li> <li>• Exercise the degree of due care, diligence and skill that a reasonably prudent person would exercise;</li> <li>• Act in the best interests of the insurer and policyholders;</li> <li>• Exercise independent judgment and objectivity in decision making, taking due account of the interests of the insurer and policyholders; and</li> <li>• Not use his/her position to gain undue advantage or cause any detriment to the insurer.</li> </ul>	<p>Duties of directors, other officers and employees include duty of care, duty of good faith, duty not to use the position or information obtained by means of holding the position for personal gain or to cause detriment to the company. (Section 2D.1 of Corporations Act of 2001)</p> <p>A director of a life company has a duty to the owners of policies referable to a statutory fund of the company: to take reasonable care, and use due diligence, to see that, in the investment, administration and management of the assets of the fund, the life company (a) complies with the provisions in the Act relating to statutory funds; and (b) gives priority to the interests of owners and prospective owners of policies referable to the fund. (Life Insurance Act 1995)</p>	<p>Duty of care - Every director and officer of a company in exercising any of the powers of a director or an officer and discharging any of the duties of a director or an officer shall:</p> <ul style="list-style-type: none"> <li>• act honestly and in good faith with a view to the best interests of the company; and</li> <li>• exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances</li> </ul> <p>Duty to comply - Every director, officer and employee of a company shall comply with the Insurance Companies Act, the regulations, the company’s incorporating instrument and the by-laws of the company. (Insurance Companies Act – 1991, c. 47)</p>	<p>Duty of care and other standards pertaining to Board members are included in the Swiss civil and commercial code. These statutes were not reviewed for purposes of this study.</p> <p>For purposes of supervision, additional depth is reached through the Swiss Qualitative Assessment and other supervisory practices.</p>	<p>Approved persons are subject to the following principles:</p> <ul style="list-style-type: none"> <li>• An approved person must act with integrity in carrying out his controlled function.</li> <li>• An approved person must act with due skill, care and diligence in carrying out his controlled function.</li> <li>• An approved person must deal with the FSA and with other regulators in an open and cooperative way. (APER)</li> </ul> <p>Directors have the duty to:</p> <ul style="list-style-type: none"> <li>• Act in good faith in way director believes would most likely promote the success of the company.</li> <li>• Exercise independent judgment</li> <li>• Exercise reasonable care and diligence</li> <li>• Avoid conflicts of interest</li> <li>• Not to accept benefits from third parties</li> <li>• Declare any interest in proposed transactions or arrangements (Companies Act of 2006 sections 170-177)</li> </ul>
<b>Duties of Senior Mgmt. (ICP 7)</b>	<p>The supervisor must require the Senior Management of the insurer to:</p> <ul style="list-style-type: none"> <li>• Carry out the day-to-day operations of the insurer effectively and in accordance with the strategies, policies and</li> </ul>	<p>The Board, in fulfilling its functions, may delegate authority to management to act on behalf of the Board with respect to certain matters, as decided by the Board. This delegation of authority must be clearly set out and documented.</p>	<p>The directors of a company may designate officers, specify the duties of those officers and delegate powers to manage the business and affairs of the company. The directors of a company may not delegate certain powers and oversight responsibilities. (Insurance Companies Act – 1991, c. 47)</p>	<p>No significant distinction between duties of the board and senior management identified. However, significant guidelines and requirements in relationship to corporate governance and risk management are required of the company overall.</p>	<p>No significant distinction between duties of the board and senior management identified. See discussion on duties of the Board above.</p>

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	<p>procedures approved by the Board;</p> <ul style="list-style-type: none"> <li>Promote a corporate culture of sound risk management and compliance;</li> <li>Provide to the Board adequate and timely information to enable the Board to carry out its duties; and</li> <li>Provide to the relevant stakeholders the information required to satisfy the legal and other obligations applicable to the insurer or the senior management.</li> </ul>	<p>The Board must have mechanisms in place for monitoring the exercise of delegated authority. The Board cannot abrogate its responsibility for functions delegated to management. (GPS 510, LPS 510)</p> <p>Senior management is responsible for:</p> <ul style="list-style-type: none"> <li>enforcing policies and implementing strategies approved by the Board of the regulated institution;</li> <li>developing and implementing systems that identify, assess, manage or monitor risks in relation to the business of the regulated institution; and</li> <li>monitoring the appropriateness, adequacy and effectiveness of risk management systems. (GPS 520, LPS 520)</li> </ul>	<p>Senior Management is assessed on a number of criteria by OSFI during on-site exams, and is responsible for directing and overseeing the institution’s operations. Key responsibilities include:</p> <ul style="list-style-type: none"> <li>Developing business objectives, strategies, plans, controls, and policies, for Board approval;</li> <li>Developing and promoting sound corporate governance practices, culture and ethics;</li> <li>Executing and monitoring business objectives, strategies, and plans and the effectiveness of controls; and</li> <li>Ensuring that the Board is kept well informed.</li> </ul> <p>(Senior Management – Assessment Criteria)</p> <p>While these criteria and responsibilities are not classified as requirements, OSFI considers the quality of Senior Management’s oversight of the financial institution’s activities as a key component when assessing the quality of risk management at the financial institution and expects the criteria to be met. OSFI arrives at an overall rating after assessing how Senior Management considers both its characteristics and the effectiveness of its performance in executing its mandate, in the context of the nature, scope, complexity and risk profile of the institution.</p> <p>Ratings are provided to the company after each on-site review. (Supervisory Framework)</p>	<p>Corporate governance encompasses the principles and structures by which an undertaking is controlled and monitored. Corporate governance ensures a functional balance among the various organs of the undertaking (checks and balances), sufficient transparency of the internal processes, and a harmonization of the objectives of the undertaking with the expectations of the various stakeholder groups. These include policyholders and beneficiaries, owners, the supervisory authority, and employees. From the perspective of supervision law, the protection of policyholders and beneficiaries is of particular importance. (Directive 15/2006)</p>	

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<b>Duties of Senior Managers (ICP 7)</b>	The supervisor must require the individuals in Senior Management of the insurer to meet the same requirements of individual Board Members listed above.	Duties of directors, other officers and employees include duty of care, duty of good faith, duty not to use the position or information obtained by means of holding the position for personal gain or to cause detriment to the company.(Section 2D.1 of Corporations Act of 2001)	Duties of Board Members listed above also apply to all officers of the insurance company.	Duties pertaining to members of management are included in the Swiss civil and commercial code. These statutes were not reviewed for purposes of this study. For purposes of supervision, additional depth is reached through the Swiss Qualitative Assessment and other supervisory practices.	No distinction between duties of Senior Managers and Directors. See Duties of Directors information shown above.
<b>Supervisor Authority over Corporate Governance (ICP 7)</b>	<p>The supervisor must have the power to require the insurer to demonstrate the adequacy and effectiveness of its corporate governance framework. Where failures or inadequacies are identified, the supervisor must have the power, and exercise that power, to require the insurer to take appropriate remedial action.</p> <p>For this purpose, the supervisor should assess whether the insurer’s overall corporate governance framework is effectively implemented and remains adequate by undertaking periodic on-site inspections and/or other (including off-site) reviews as appropriate to the nature, scale and complexity of the insurer’s business and its risk profile.</p>	<p>Members of the Board, its committees, and senior management must be available to meet with APRA on request. The Remuneration Policy must be provided to APRA on request. (GPS 510, LPS 510)</p> <p><b>Non-Life</b> The insurer must submit its Risk Management Strategy to APRA when any material changes are made. The insurer must submit a three-year business plan to APRA and re-submit on an annual basis and after any material changes are made. The insurer must also submit a Risk Management Declaration and Financial Information Declaration to APRA on an annual basis. (GPS 220)</p> <p><b>Life</b> A life insurer must submit a Risk Management Declaration to APRA on an annual basis. (LPS 220)</p> <p>APRA may determine standards relating to prudential matters</p>	<p>OSFI’s framework for assessing the effectiveness of governance is based on an assessment of the financial institution’s governance process against a range of characteristics, and an assessment of the institutions performance or effectiveness in carrying out its governance responsibilities.</p> <p>This assessment contributes to an overall rating for the financial institution.</p> <p>The ratings are linked to the stages of intervention in accordance with the applicable guide to intervention for federally regulated financial institutions.</p> <p>OSFI may require the financial institution to undertake various measures to ensure risk is being prudently managed. The particular measures that OSFI might ask a financial institution to undertake may depend on the stage of rating. For example, OSFI might require the institution to hold additional capital, develop corrective action plans and OSFI may impose business restrictions on the company. Also, OSFI may perform enhanced examinations in</p>	<p>The Swiss supervisor uses a corporate governance tool to ascertain whether appropriate corporate governance documentation exists, how it is applied in practice, and how this documentation and the application of the principles therein help the company to meet its corporate government objectives. The corporate governance tool must be completed, i.e. filled out for every company subject to supervision in Switzerland, including the holding companies of corporate groups. The supervisor will review the results of the tool and, should measures appear necessary, conduct a risk dialogue with the company before making recommendations or delivering instructions. (Corporate Governance Tool)</p>	<p>The FSA uses a variety of tools to address specific risks identified in firms. These tools include:</p> <ul style="list-style-type: none"> <li>• making recommendations for preventative or remedial action;</li> <li>• giving other individual guidance to a firm;</li> <li>• imposing individual requirements;</li> <li>• varying a firm's permission in another way.</li> </ul> <p>(SUP)</p> <p>The FSA views the threshold conditions as being fundamental requirements for authorization and it will generally take action in all such cases which come to its attention and which cannot be resolved through the use of supervisory tools. If the firm does not take the necessary remedial action, the FSA will consider whether its permission to carry out regulated business should be varied and/or cancelled. (EG)</p>

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		<p>that must be complied with by all insurers. The prudential standards may provide for APRA to exercise powers and discretions under the standards, including but not limited to discretions to approve, impose, adjust or exclude specific prudential requirements. An insurer to whom a prudential standard applies must comply with the standard. APRA may give directions in certain circumstances (as specified). (Insurance Act 1973, Life Insurance Act 1995)</p>	<p>addition to its normal supervisory activities (Supervisory Framework and Guide to Intervention).</p>		
<p><b>Transparency In Reporting (ICP 7)</b></p>	<p>The supervisor must require the insurer’s Board to ensure there is a reliable and transparent financial reporting process for both public and supervisory purposes, which is supported by clearly defined roles and responsibilities of the Board, Senior Management and the external auditor.</p> <p>The supervisor must require the insurer’s Board to ensure that the insurer has adequate policies and procedures for promoting appropriate, timely and effective communications with the supervisor and stakeholders on the governance of the insurer.</p> <p>The supervisor must also</p>	<p>Insurers are required, under the Financial Sector (Collection of Data) Act 2001 and its reporting standards, to provide data to APRA. The data is defined in the set of reporting forms and instructions. Some forms are subject to audit requirements. Included within these forms is reporting on financial results, suitability of persons, governance and risk management and remuneration.</p> <p>Additional information on remuneration is required to be disclosed if either 5% of shareholders, or 100 individuals, request the information be disclosed. (Section 202B of Corporations Act of 2001)</p> <p>Listed companies are required by the Australian Stock</p>	<p>Insurers are required to file both financial and corporate returns on an annual basis. Data is defined through a set of standard reporting forms and instructions provided to insurers. Financial information is subject to an annual audit. Limited information on insurer governance is made available through the corporate return including information on Board and committee members.</p> <p>Canadian publicly traded companies are required to file a disclosure which outlines the structure and amount of each top executive’s compensation. (Statement of Executive Compensation" - OSC Form 51-102F6)</p> <p>Corporations are required to put certain information before shareholders at each annual shareholder meeting including: Comparative financial statements, Auditor reports, and any further</p>	<p>Insurance companies are required to publish their financial statements and file them with the commercial register. Non-compliance with reporting obligations could result in the withdrawal of their licenses.</p>	<p>An issuer must make public its annual financial report at the latest four months after the end of each financial year. An issuer must ensure that its annual financial report remains publicly available for at least five years.</p> <p>The annual financial report must include:</p> <ul style="list-style-type: none"> <li>• the audited financial statements;</li> <li>• a management report; and</li> <li>• responsibility statements.</li> </ul> <p>The management report must contain:</p> <ol style="list-style-type: none"> <li>(1) a fair review of the issuer's business; and</li> <li>(2) a description of the principal risks and uncertainties facing the issuer. (DTR)</li> </ol>

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	require the insurer’s Board to ensure that appropriate and timely information, on the governance of the insurer, are made publicly available, including information on remuneration.	Exchange (ASX) to disclose in their annual reports the extent to which they do or do not follow ASX guidelines on corporate governance. (ASX Listing Rule 4.10.3)	financial information required to be disclosed per the operating agreement or other forms of authority. (Section 155 Canada Business Corporations Act)		No detailed disclosure requirements for insurers were identified relating to remuneration, other than requiring agents and intermediaries to disclose compensation practices to customers. (COBS 6)
<b>Remuneration (ICP 7)</b>	<p>The supervisor must require the insurer’s Board to adopt and oversee the effective implementation of a remuneration policy. The policy should:</p> <ul style="list-style-type: none"> <li>• Not induce excessive risk taking</li> <li>• Be in line with the identified risk appetite, risk tolerance levels and long term interests of the insurer</li> <li>• Have proper regard to the interests of its stakeholders; and</li> <li>• Ensure that members of the Board, Senior Management, Key Persons in Control Functions and other risk taking employees are covered.</li> </ul>	<p>Insurers must establish and maintain a written Remuneration Policy. The Remuneration Policy must outline the remuneration objectives and the structure of the remuneration arrangements, including but not limited to the performance-based remuneration components, of the regulated institution. The Remuneration Policy must be approved by the Board. An insurer must, unless otherwise approved in writing by APRA, have a Board Remuneration Committee that complies with the requirements in this area. (GPS 510, LPS 510)</p>	<p>OSFI expects financial institutions to ensure their compensation practices align with the FSB Principles for Sound Compensation Practices. As such, OSFI expects financial institutions to adopt the Principles and Boards of Directors are to ensure the institution has adopted the principles accordingly.</p> <p>OSFI assesses the extent to which the Board performs the following during an examination:</p> <ul style="list-style-type: none"> <li>• Approves the appointment of qualified individuals to senior management positions, monitoring their performance and approving their compensation;</li> <li>• Reviews and approves, at least annually, human resources and compensation policies and practices;</li> <li>• Ensures that the compensation program promotes prudent decision making with due regard to the objectives of the institution.</li> </ul> <p>(Board of Directors – Assessment Criteria)</p>	<p>Companies are required to comply with the following remuneration principles:</p> <ul style="list-style-type: none"> <li>• The Board of Directors is responsible for the design and implementation of remuneration policy/rules.</li> <li>• The remuneration scheme is simple, transparent, implementable, and oriented towards the long term.</li> <li>• Independent control functions and experts are involved in designing and applying the remuneration policy/rules.</li> <li>• The structure and level of total remuneration is aligned with the firm’s risk policies.</li> <li>• Variable remuneration is funded through long-term performance and granted based on sustainable criteria.</li> <li>• Deferrals link remuneration with the future development of performance and risk.</li> <li>• Control functions are remunerated in a way so as to avoid conflicts of interest.</li> <li>• The Board of Directors shall report annually on the implementation of the remuneration policy.</li> <li>• Any deviation from these</li> </ul>	<p>It is possible that firms' remuneration policies will from time to time lead to tensions between the ability of the firm to meet the requirements and standards under the regulatory system and the personal advantage of those who act for it. Where tensions exist, these should be appropriately managed.</p> <p>The method of determining the remuneration of the relevant persons involved in the compliance function must not compromise their objectivity and must not be likely to do so.</p> <p>The insurer must remove any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities; (SYSC)</p>

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				principles is permissible only in justified exceptional circumstances and must be disclosed. (Circular 2010/1)	Other detailed requirements relating to remuneration required of banks, are not applicable to insurance entities. (SYSC 19)
<b>Risk Management System (ICP 8)</b>	<p>The Supervisor requires an insurer to establish and operate within an effective system of risk management and risk management of internal controls.</p> <p>An adequate and effective risk management system includes, at least, the following:</p> <ul style="list-style-type: none"> <li>• A clearly defined and well documented risk management strategy.</li> <li>• A clearly defined risk appetite/risk tolerance approved by the Board.</li> <li>• Appropriate written policies that include a definition and categorization of the material risks and the levels of acceptable risk.</li> <li>• Appropriate processes and tools to identify, measure, manage, monitor, test and report the risks.</li> <li>• Appropriate controls for ensuring that policies and procedures are operating effectively.</li> <li>• Regular reviews of the ERM framework for modifications and improvements.</li> </ul>	<p>The insurer’s risk management framework must provide a reasonable assurance that the insurer’s risks are being prudently and soundly managed, having regard to such factors as the size, business mix and complexity of the insurer’s operations. The risk management framework must include a Risk Management Strategy that has been adopted by the Board describing the risk appetite, policies, procedures, management responsibilities and controls required at the insurer.</p> <p>In addition, an insurer’s risk management framework must include risk management policies and procedures to identify, assess, monitor, report on and mitigate all material risks, financial and non-financial, likely to be faced by the insurer having regard to such factors as the size, business mix and complexity of the insurer’s operations, and a review process to ensure that the risk management framework remains effective; and clearly defined managerial responsibilities and controls.</p> <p>The insurer must ensure that its</p>	<p>Every institution should have integrated policies that, taken together, apply to the organization’s significant activities regarding the corporate philosophy on risk management, the institution’s permissible exposure to risk, objectives of risk management, delegation of authorities and responsibilities, and processes for identifying, monitoring, controlling and managing risk.</p> <p>The board should:</p> <ul style="list-style-type: none"> <li>• have a general understanding of risks to which the company may be exposed and techniques used to measure and manage those risks;</li> <li>• review and approve the overall risk philosophy and risk tolerance of the institution;</li> <li>• review and approve significant policies for accepting, monitoring, managing and reporting on significant risks;</li> <li>• require that management have a process for determining the institution’s desired level of capital, taking into account risks assumed, and for ensuring that capital management strategies are in place;</li> <li>• require from management timely and accurate reporting on significant risks, the procedures and controls in place, and the overall effectiveness of risk management processes.</li> <li>• assure itself that the risk</li> </ul>	<p>The undertaking shall define risk strategies appropriate to its size and complexity, taking into account its appetite and tolerance for risk. Risk tolerance is limited by the economic loss of value that the undertaking is willing to bear or that it can bear due to appropriate measures.</p> <p>Risk tolerance depends on the available resources (capital, human resources, information technology) and dictates the risk limits. Risk appetite encompasses the risk that an undertaking wants to assume, given its possibilities.</p> <p>In addition, the undertaking shall guarantee and document risk management procedures appropriate to its business with respect to all significant risks.</p> <p>The processes of risk management and the internal control system comprise the following elements:</p> <ul style="list-style-type: none"> <li>• Risk identification and assessment;</li> <li>• Risk control measures and control activities;</li> <li>• Information and documentation; and</li> </ul>	<p>A firm must have robust governance arrangements, which include a clear organizational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks it is or might be exposed to, and internal control mechanisms, including sound administrative and accounting procedures and effective control and safeguard arrangements for information processing systems.</p> <p>A firm should plan its business appropriately so that it is able to identify, measure, manage and control risks of regulatory concern.</p> <p>Firms must establish, implement and maintain adequate risk management policies and procedures, including effective procedures for risk assessment, which identify the risks relating to the firm’s activities, processes and systems, and where appropriate, set the level of risk tolerated by the firm.</p>

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		<p>risk management framework is subject to effective and comprehensive review by operationally independent, appropriately trained and competent staff (including external consultants) and that the frequency and scope of this review is appropriate having regard to such factors as the size, business mix, complexity of the insurer's operations and the extent of any change to its business profile or its risk appetite. (GPS 220, LPS 220)</p>	<p>management activities have sufficient independence, status and visibility and are subject to periodic reviews; and</p> <ul style="list-style-type: none"> <li>• Regularly review required changes in risk management and controls.</li> </ul> <p>Boards should not treat this as a checklist of criteria requiring extensive, documented policies and procedures. OSFI recognizes that individual institutions will adopt different approaches to board oversight of risk management, taking into account the nature, scope, complexity, and risk profile of their institution. (Corporate Governance Guideline – January 2003)</p>	<ul style="list-style-type: none"> <li>• Monitoring for purposes of identifying deficiencies and corrective measures. (Directive 15/2006)</li> </ul>	<p>A firm must adopt effective arrangements, processes and mechanisms to manage the risk relating to the firm's activities, processes and systems, in light of that level of risk tolerance.</p> <p>The senior personnel of a firm must approve and periodically review the strategies and policies for taking up, managing, monitoring and mitigating the risks the firm is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle. (SYSC)</p>
<b>Control Functions/ Internal Control System (ICP 8)</b>	<p>The Supervisor requires the insurer to have control functions for risk management, compliance, actuarial matters, and internal audit, in each case appropriate to the nature, scale, and complexity of the insurer's business, risks and obligations and with the necessary authority, independence, and resources.</p> <p>The authority and responsibilities of each control function are set out in a written charter.</p> <p>Each control function has the necessary independence</p>	<p>An insurer must have a risk management function (or role) within the insurer that is appropriate to the nature, scale and diversity of its operations; is sufficiently resourced; and has the necessary authority to conduct its activities in an effective and independent manner. (GPS 220)</p> <p>Insurers are required to receive financial statement audits on an annual basis. Auditors are required to review and test the insurer's systems, processes, and controls designed to address compliance with all prudential requirements and enable the insurer to report reliable</p>	<p>In assessing an insurer's risk management function, OSFI should consider the extent to which the function's mandate establishes:</p> <ul style="list-style-type: none"> <li>• Clear objectives and enterprise-wide authority for its activities;</li> <li>• Authority to carry out its responsibilities independently;</li> <li>• Right of access to the institution's records, information and personnel;</li> <li>• A requirement to report regularly on the effectiveness of the institution's risk management processes and exposures compared to approved limits; and</li> <li>• Authority to follow-up on action taken by management in response to issues and recommendations.</li> </ul> <p>In addition, OSFI should consider the</p>	<p>See information outlined above.</p> <p>The internal control system (ICS) encompasses the internally ordered procedures, methods, and measures that serve to ensure appropriate security with respect to the risks of business management, especially pertaining to the effectiveness of business processes, the reliability of financial reporting, and compliance with laws and regulations.</p> <p>The undertaking shall implement and document an effective internal control system appropriate to its business. The undertaking shall take appropriate measures with</p>	<p>A firm must, where appropriate and proportionate in view of the nature, scale and complexity of its business and the nature and range of the investment services and activities undertaken in the course of that business, establish and maintain a risk management function that operates independently and carries out the following tasks:</p> <ul style="list-style-type: none"> <li>• implementation of the policies and procedures; and</li> <li>• provision of reports and advice to senior personnel in accordance</li> </ul>

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	<p>from management.</p> <p>The Board of Directors ensures that the head of each control function has the authority and responsibility to report periodically to it or one of its committees</p> <p>In addition to personal qualities of integrity, members of each control function should possess the necessary experience, skills, and knowledge required for the specific position they exercise and meet any applicable professional qualifications or certifications.</p> <p>The Board of Directors is ultimately responsible for ensuring that management has in place an adequate and effective internal controls system for the insurer.</p> <p>The Internal Control System (ICS) must be designed and operated to provide reasonable assurance over (a) the insurer's key business, IT, and financial policies and processes, particularly but not only in respect of financial reporting, and (b) the related risk management and compliance measures in place.</p>	<p>financial information to APRA. (GPS 310, LPS 310)</p> <p>The actuary must provide an assessment of the overall financial condition of the insurer and advice on the valuation of its insurance liabilities on an annual basis. (GPS 310, LPS 320)</p> <p>See other guidance outlined above relating to the other requirements for a control functions.</p>	<p>extent to which the function head has direct access to the CEO and the Board. (Risk Management – Assessment Criteria)</p> <p>These criteria and responsibilities are not classified as requirements. Ratings are provided to the company after each on-site review. The ratings are then linked to the stages of intervention in accordance with the Guide to Intervention for Federal Financial Institutions. (Supervisory Framework)</p> <p>Development and implementation of an adequate and sound system of internal controls is normally the responsibility of senior management. The board of directors, however, is ultimately responsible for ensuring that such a system is established and maintained. As part of this responsibility, the board should regularly, at a high level, review the system of internal controls to determine that it works as expected and that it remains appropriate.</p> <p>The board should ensure that management takes prompt action to correct any material control problems that emerge from these reviews and that there is a board process in place to follow up on progress made to correct deficiencies. The board, along with senior management, should also proactively consider whether deficiencies identified in one area may also be present in other areas. (Corporate Governance Guideline – January 2003)</p>	<p>respect to risk control measures and control activities.</p> <p>The risk control measures must be compatible with the internally defined risk appetite and risk tolerance.</p> <p>An appropriate separation of functions between operational and control activities must be ensured to prevent conflicts of interest.</p>	<p>A firm must take reasonable care to establish and maintain such systems and controls as are appropriate to its business.</p> <p>A firm must monitor and, on a regular basis, evaluate the adequacy and effectiveness of its systems, internal control mechanisms and arrangements and take appropriate measures to address any deficiencies. (SYSC)</p> <p>In determining whether a firm will satisfy, and continue to satisfy, threshold condition 5 in respect of conducting its business with integrity and in compliance with proper standards, the relevant matters may include but are not limited to whether the firm has taken reasonable care to establish and maintain effective systems and controls for compliance with applicable requirements and standards under the regulatory system that apply to the firm and the regulated activities for which it has, or will have, permission. (COND)</p>

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<p><b>Risk Management Function (ICP 8)</b></p>	<p>The Supervisor requires the insurer to have a risk management function appropriate to the nature, scale, and complexity of the insurer’s business, risks and obligations.</p> <p>The risk management function establishes, implements and maintains appropriate strategies, policies, procedures, controls, and communication to:</p> <ul style="list-style-type: none"> <li>• identify the risks the insurer faces and assess, aggregate, monitor and help manage and address them effectively;</li> <li>• gain and maintain an enterprise-wide view of the risk profile of the insurer;</li> <li>• evaluate the internal and external risk environment in order to identify and assess risks as early as possible;</li> <li>• conduct regular stress testing and scenario analyses;</li> <li>• regularly report to Senior Management, key persons in control functions and the Board;</li> <li>• conduct regular assessments of the risk management function and incorporate needed improvements.</li> </ul>	<p>The risk management function (or role) must be appropriate to the nature, scale and diversity of its operations; sufficiently resourced; and have the necessary authority to conduct its activities in an effective and independent manner. It is responsible for assisting the Board, any Board committee and senior management in developing and maintaining the risk management framework. (GPS 220)</p>	<p>See information above.</p> <p>In addition, the Risk Management function should provide independent oversight of the management of risks inherent in the institution’s activities. The function is responsible for ensuring that effective processes are in place for:</p> <ul style="list-style-type: none"> <li>• Identifying current and emerging risks;</li> <li>• Developing risk assessment and measurement systems;</li> <li>• Establishing policies, practices and other control mechanisms;</li> <li>• Developing risk tolerance limits for Senior Management and Board approval;</li> <li>• Monitoring positions against approved risk tolerance limits; and</li> <li>• Reporting results of risk monitoring to Senior Management and the Board.</li> </ul> <p>(Risk Management – Assessment Criteria)</p> <p>These criteria and responsibilities are not classified as requirements. Ratings are provided to the company after each on-site review. The ratings are then linked to the stages of intervention in accordance with the Guide to Intervention for Federal Financial Institutions. (Supervisory Framework)</p>	<p>Extensive guidelines are in place. See information regarding the risk management system listed above.</p> <p>In addition, the board of directors shall take measures to ensure that proper risk management principles are implemented by the undertaking.</p> <p>The undertaking shall evaluate the availability and functioning of the components of risk management and the internal control system, as well as the progress made over time with respect to quality. (Directive 15/2006)</p>	<p>When establishing and maintaining its business plan and prudential risk management systems, a firm must document:</p> <ul style="list-style-type: none"> <li>• an explanation of its overall business strategy, including its business objectives;</li> <li>• a description of, as applicable, its policies towards market, credit, liquidity, operational, insurance and group risk, including its appetite or tolerance for these risks and how it identifies, measures or assesses, monitors and controls these risks;</li> <li>• the systems and controls that it intends to use in order to ensure that its business plan and risk policies are implemented correctly;</li> <li>• appropriate financial projections and the results of its stress testing and scenario analysis; and</li> <li>• details of, and the justification for, the methods and assumptions used in financial projections and stress testing and scenario analysis.</li> </ul>

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<p><b>Internal Audit Function (ICP 8)</b></p>	<p>The supervisor requires the insurer to have an internal audit function appropriate to the nature, scale, and complexity of the insurer’s business, risks and obligations.</p> <p>This function provides independent assurance to the Board of Directors in respect of matters such as:</p> <ul style="list-style-type: none"> <li>• Fraud prevention;</li> <li>• Financial reporting and management information systems;</li> <li>• IT systems;</li> <li>• Risk management and compliance systems; and</li> <li>• The design and operational effectiveness of controls in respect of the above matters, as well as the totality of such controls.</li> </ul> <p>The internal audit function should be fully independent and should report to the Board or Audit Committee with sufficient frequency and depth.</p>	<p>A regulated institution must have an independent and adequately resourced internal audit function. If a regulated entity does not believe it is necessary to have a dedicated internal audit function, it must apply to APRA, in writing, seeking an exemption from this requirement, and set out reasons why it should be exempt. APRA may approve alternative arrangements for a regulated institution where APRA is satisfied that they will achieve the same objectives.</p> <p>The objectives of the internal audit function must include evaluation of the adequacy and effectiveness of the financial and risk management framework of the regulated institution. To fulfill its functions, the internal auditor must, at all times, have unfettered access to all the regulated institution’s business lines and support functions.</p> <p>The Board Audit Committee must ensure the adequacy and independence of both the internal and external audit functions. The Board Audit Committee must regularly review the internal and external audit plans, ensuring that they cover all material risks and financial reporting requirements of the regulated institution. It must also regularly review the</p>	<p>The Internal Audit function provides independent oversight of the effectiveness of, and adherence to, the institution’s organizational and procedural controls. It may also oversee the effectiveness of, and adherence to, the institution’s compliance and risk management policies and practices.</p> <p>In assessing an insurer’s internal audit function, OSFI should consider the extent to which the function’s mandate establishes:</p> <ul style="list-style-type: none"> <li>• Clear objectives and enterprise-wide authority for its activities;</li> <li>• Authority to carry out its responsibilities independently;</li> <li>• Right of access to the institution’s records, information and personnel;</li> <li>• A requirement to express an opinion on the effectiveness of, and adherence to, the institution’s organizational and procedural controls; and</li> <li>• Authority to follow-up with management on action taken in response to audit findings and recommendations.</li> </ul> <p>OSFI should also consider the extent to which the function head has direct access to the CEO and the Board (or Audit Committee) and the extent to which the function is independent of activities it audits and day-to-day internal control processes. (Internal Audit – Assessment Criteria)</p> <p>These criteria and responsibilities are not classified as requirements. Ratings are provided to the company after each</p>	<p>The undertakings shall take the following principles of corporate governance into account and shall take measures necessary for their implementation:</p> <ul style="list-style-type: none"> <li>• Independence of the internal auditing office as an important control function for monitoring business activities</li> </ul> <p>The undertakings shall evaluate the availability and functioning of the components of risk management and the internal control system, as well as the progress made over time with respect to quality. (Directive 15/2006)</p>	<p>A firm must, where appropriate and proportionate in view of the nature, scale and complexity of its business and the nature and range of activities undertaken in the course of that business, establish and maintain an internal audit function which is separate and independent from the other functions and activities of the firm and which has the following responsibilities:</p> <ul style="list-style-type: none"> <li>• to establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the firm's systems, internal control mechanisms and arrangements;</li> <li>• to issue recommendations based on the result of work carried out</li> <li>• to verify compliance with those recommendations; and</li> <li>• to report in relation to internal audit matters. (SYSC)</li> </ul>

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		<p>findings of audits, and ensure that issues are being managed and rectified in an appropriate and timely manner.</p> <p>The internal auditor must have a reporting line and unfettered access to the Board Audit Committee. (GPS 510, LPS 510)</p>	<p>on-site review. The ratings are then linked to the stages of intervention in accordance with the Guide to Intervention for Federal Financial Institutions. (Supervisory Framework)</p>		
<b>Compliance Function (ICP 8)</b>	<p>The supervisor requires the insurer to have a compliance function appropriate to the nature, scale, and complexity of the insurer’s business, risks and obligations.</p> <p>The head of the compliance function should have the authority and responsibility to report periodically to the Board of Directors or one of its committees. Such reporting should be of sufficient frequency and depth.</p>	<p>The Prudential Standards do not address compliance as an explicit function; however it is an implicit part of the overall risk management function.</p>	<p>The Compliance function provides independent oversight of the management of the institution’s compliance with laws, regulations, and guidelines relevant to the activities of the institution in the jurisdictions in which it operates.</p> <p>In assessing an insurer’s function, OSFI considers the extent to which the function’s mandate establishes:</p> <ul style="list-style-type: none"> <li>• Clear objectives and enterprise-wide authority for its activities;</li> <li>• Authority to carry out its responsibilities independently;</li> <li>• A requirement to express an opinion on compliance; and</li> <li>• Authority to follow-up with management on issues identified. (Compliance – Assessment Criteria)</li> </ul> <p>These criteria and responsibilities are not requirements. Ratings are provided to the company after each on-site review. The ratings are then linked to stages of intervention outlined in the Guide to Intervention. (Supervisory Framework)</p>	<p>Insurers are required to implement an effective internal control system. The internal control system encompasses the internally ordered procedures, methods, and measures that serve to ensure appropriate security with respect to the risks of business management, especially pertaining to the effectiveness of business processes, the reliability of financial reporting, and <u>compliance</u> with laws and regulations.</p> <p>See information above for further explanation on the requirements of an internal control system. (Directive 15/2006)</p>	<p>Depending on the nature, scale and complexity of its business, it may be appropriate for a firm to have a separate compliance function. The organization and responsibilities of a compliance function should be documented. A compliance function should be staffed by an appropriate number of competent staff who are sufficiently independent to perform their duties objectively. It should be adequately resourced and should have unrestricted access to the firm's relevant records as well as ultimate recourse to its governing body. (SYSC)</p>

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Actuarial Function (ICP 8)	<p>The supervisor requires the insurer to have an actuarial function appropriate to the nature, scale, and complexity of the insurer’s business, risks and obligations.</p> <p>The person performing the actuarial function must be free of influences that may compromise his or her ability to undertake actuarial work in a fair and objective manner.</p> <p>The actuarial function determines or provides an opinion in respect of the appropriate technical provisions or reserves.</p> <p>The supervisor should have access to actuarial resources, or other resources, that enable the supervisor to critically assess the work of an insurer’s actuary or those performing the actuarial function.</p>	<p>An Appointed Actuary’s primary roles are to provide:</p> <ul style="list-style-type: none"> <li>• advice on the valuation of an insurer’s insurance liabilities; and</li> <li>• an impartial assessment of the overall financial condition of the insurer.</li> </ul> <p>An Appointed Actuary must, on an annual basis, undertake an investigation to enable the preparation of a financial condition report. Also for non-life insurers an Insurance Liability Valuation Report (ILVR) as required by the standard. An insurer must arrange to have the ILVR prepared by the Appointed Actuary peer reviewed by a Reviewing Actuary.</p> <p>When APRA specifies in writing, an Appointed Auditor or Appointed Actuary must:</p> <ul style="list-style-type: none"> <li>• undertake a special purpose review of matters specified by APRA relating to the insurer’s operations, risk management or financial affairs; and</li> <li>• prepare a report in respect of that review. (GPS 310, LPS 310, LPS 320)</li> </ul>	<p>The company must appoint an actuary to value the actuarial and other policy liabilities of the company at the end of the financial year. The actuary’s valuation shall be in accordance with generally accepted actuarial practice. The CEO, COO or CFO may not hold the position of appointed actuary unless authorized by the Superintendent.</p> <p>The Superintendent may appoint an independent actuary to value the actuarial and other policy liabilities of the company as deemed necessary. The expenses incurred shall be payable by the company upon being approved in writing by the Superintendent. (Insurance Companies Act – 1991, c. 47)</p> <p>Specific requirements, qualifications and standards are placed upon the appointed actuary. (Guideline E-15)</p> <p>A report of an independent actuary is required prior to the approval of certain transactions or as required by the Superintendent. Specific requirements and standards are placed upon the independent actuary’s report required under these situations. (Guideline E-14)</p>	<p>The undertakings shall take the following principles of corporate governance into account and shall take measures necessary for their implementation:</p> <ul style="list-style-type: none"> <li>• Creation of an appropriate environment in which the responsible actuary can fulfill his responsibilities (Directive 15/2006)</li> </ul> <p>An appointed actuary is required to issue an opinion in respect to the appropriateness of company reserves and overall solvency on an annual basis. There are standards in place regarding the qualifications required of an appointed actuary and the supervisor has the authority to dismiss the appointed actuary. (Articles 23 and 24 of the ISA)</p>	<p>A firm must appoint one or more actuaries to perform the actuarial function in respect of all classes of its long-term insurance business. The appointed actuary must have the required skill and experience to perform his functions under the regulatory system and be a Fellow of the Institute of Actuaries or of the Faculty of Actuaries.</p> <p>A firm must take reasonable steps to ensure that the appointed actuary does not perform any other function on behalf of the firm which could give rise to a significant conflict of interest.</p> <p>The appointed actuary must advise the firm’s management on the risks the firm runs in so far as they may have a material impact on the firm’s ability to meet liabilities to policyholders in respect of long-term insurance contracts as they fall due and on the capital needed to support the business, including regulatory capital requirements.</p>

**Note: This chart does not constitute a formal legal opinion by the NAIC staff and should not be relied upon as such. The NAIC staff makes no warranty as to the completeness or accuracy of the information provided. Efforts have been made to provide correct and accurate summaries to assist the reader in targeting useful information. However, for further details we recommend that the statutes, regulations, guidelines and handbooks cited be consulted and that supervisors from the countries studied be contacted.**