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All information provided in the annual disclosure is recognized as being proprietary to the insurer and containing trade secrets. Therefore, confidentiality language was included in Model #305 stating that all such information is deemed confidential by law and privileged, is not subject to subpoena and is not subject to discovery or admissible in evidence in any private civil action. However, the domiciliary commissioner is authorized to use the documents, materials or other information in the furtherance of any regulatory or legal action brought as a part of the commissioner's official duties.

The requirements of the Model Act and Model Regulation are intended to be effective Jan. 1, 2016. The first annual disclosure is scheduled to be due by June 1, 2016.

~~Amended~~  
~~Amended~~

The intent of the models is to provide more information to regulators on insurers' corporate governance practices on an annual basis. Currently, regulators obtain a significant amount of information on insurers' corporate governance practices during full-scope examinations, which typically occur once every 3-5 years. However, information on governance practices, including changes that can have a substantial impact on current and prospective solvency, is not widely available to regulators in the period between onsite examinations. Through the adoption of standards in this area, regulators can ensure that sufficient information on governance practices is available to assess the solvency of insurers on an annual basis.

~~Amended~~

Ultimate adoption by every jurisdiction will result in uniform application of the disclosure requirements to all U.S. insurers, which results in an even regulatory playing field and provides equivalent information for jurisdictions to utilize in assessing an insurer's solvency position. Per Model #305, the disclosure requirements can be met by providing the annual disclosure on a group basis to the Lead State regulator and the review of the disclosure should be coordinated across jurisdictions that have domestic states in the group. As such, uniform adoption will provide that the legal framework exists in all states so that this coordinated regulatory effort can be effective.

In addition, uniform adoption across jurisdictions will assist the U.S. in meeting international standards relating to corporate governance and oversight. The IAIS has adopted principles and guidance related to corporate governance in ICP 5 – Suitability of Individuals, ICP 7 – Corporate Governance and ICP 8 – Risk Management and Internal Controls. In addition, the results of the 2009 U.S. FSAP and the 2013 FIO Insurance Modernization Report included recommendations for U.S. regulators in relation to corporate governance matters. The uniform adoption of Model #305 and Model #306 would assist the U.S. in responding to these recommendations and fulfilling international expectations in this area.

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## 20. Corporate Governance

State statute and/or regulation should include a requirement for insurers to provide a confidential annual disclosure of their corporate governance practices that is substantially similar to the NAIC's Corporate Governance Annual Disclosure Model Act (#305) and Corporate Governance Disclosure Model Regulation (#306).

- a. Requires the insurer or insurance group to submit a Corporate Governance Annual Disclosure (CGAD) by June 1 of each year, similar to Section 3 of Model #305.
- b. Requires the CGAD to contain the material information necessary to permit the Commissioner to gain an understanding of the insurer J(s)-2.3 cte-4.6 (c)9.2 (10.)-4 (2(al)-13( t)-)8.5 (M)-2 (o)2 (2.6 ode)-12.5 (r)4.6 ( R)17

