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Corporate governance and risk management in the insurance sector: sound practices and experiences

**Seminar on risk-based capital regulation and corporate
governance in the insurance sector**

**Santiago, Chile
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“Apparently the chair made a list of those that could benefit from governance classes, and it turned out to be everyone.”

www.healthcaregovernancereview.org

- Legal perspective:
Corporate governance does not equal internal system of governance
- Risk-based perspective:
How can governance promote good risk management?
- Cross-sectoral perspective:
Specificities for financial institutions?
- Practical perspective:
How proportionate can governance be?
- Supervisory perspective:
Effective supervision should support good governance

- Board structure: different legal structures due to corporate law
 - Solvency II: “Administrative, management and supervisory body”
- Shareholder value & policyholder protection: an odd couple?
 - Influence on the level of risk.
- Remuneration: link to long-term performance

Promote responsibility

- Install effective control mechanisms to avoid excessive risk-taking.
- Role of “the board”:
 - Board should play an active role in the risk management: identify, understand and control risks
 - Own Risk and Solvency Assessment in Solvency II
- Key functions: risk management, compliance, actuarial function and audit.

Identify, measure, understand and monitor risks

- Financial institutions have a high visibility in the corporate governance discussions
 - European Commission Green Paper
 - CRDIV, SII
- Banks, insurers, financial conglomerates: need to reflect good practices in risk management
 - With specificities (e.g. actuarial function in insurance)

Relevance for financial sector

- How to implement SII governance requirements in a proportionate manner?
 - o “Large” and “small” institutions: risk is the key factor
 - o Level of prescription of the governance requirements
 - o Combination of duties, tasks, functions (except: audit!)
 - o Requirements on outsourcing
 - o Proportionality principle applies in both ways

Principle-based, focused on the outcome

- Risk-based supervisory review:
 - Financial stability and policyholder protection
 - Ensure supervision for all undertakings in a harmonised framework through a consistent risk assessment framework (impact and probability)
 - Prevent pro-cyclical effect of supervisory intervention
- Governance of supervisors: resources and cooperation
 - Colleges
 - Transparency and accountability

Ensure effective implementation of the risk-based framework



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Thank you!

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