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DIRECTOR, COMPLIANCE

Geoff provides insurance regulatory compliance support to NAMIC’s member companies through oversight and development of NAMIC’s current and future compliance-related offerings and products. In his role of Director of Compliance, Geoff develops new compliance products and services; monitors, researches, and analyzes insurance regulations, laws, bulletins and notices affecting the property and casualty industry; drafts alerts and notices to member companies on compliance-related topics; drafts compliance surveys of insurance laws and regulations; responds to legal and compliance questions from member company compliance personnel and NAMIC’s regional vice presidents; and develops webinars, articles and guidance on compliance-related topics.

Previously, Geoff spent over 16 years as a solo in-house counsel for a group of insurers, including 1 national life insurance company, 3 regional property/casualty insurance companies, an intermediate holding company, a mutual holding company, and 2 political action committees. He was directly responsible for the development, implementation, oversight and management of all legal, transactional, litigation, M&A, regulatory compliance, corporate governance, intellectual property, ethics, anti-fraud, market conduct, producer contracting and appointment, insurance form development/filing, and government/regulatory relations matters. Geoff has also spent time in private legal practice, specializing in insurance coverage analysis and defense of first party bad faith litigation.

Geoff is a graduate of the College of William & Mary and the University of Idaho College of Law.

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NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country’s largest national insurers. NAMIC members represent 39 percent of the total property/casualty insurance market, serve more than 170 million policyholders, and write more than $230 billion in annual premiums.
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OVERVIEW
What follows is a guide for drafting a Corporate Governance Annual Disclosure (CGAD), following the NAIC’s Corporate Governance Annual Disclosure model law (MDL 305) and model regulation (MDL 306.) It is meant to be advisory in nature only and should not be construed as legal advice. The provided sample language does not reflect the corporate governance policies or procedures of any individual company or group of companies. It is provided merely to suggest possible responses to the CGAD’s required content. Each company’s corporate governance policies and procedures will be unique and therefore any sample language provided must account for the Company’s own structure and governance policies.
INTRODUCTION

While the CGAD models do not require an “introduction” section for a CGAD, it is recommended that a company consider including one. The introduction is where you may “set the stage” for the disclosure. It is a good place to (1) identify the company or companies as applicable, (2) identify the level at which governance is “housed” for purpose of the disclosure; (3) identify Directors, and (4) identify documents in which corporate governance policies and procedures may be found. The information included in the introduction is up to the drafter. Use your best judgment as to what you do and do not include in the introduction.

First, identify the company filing the CGAD or on whose behalf the CGAD is filed. Explain the structure of the organization; attach an organizational diagram as an exhibit if necessary. Sample language:

[Company or organization] consists of: [names, states of domicile and form of organization – stock, mutual, holding company, etc...] A current diagram of the organization is attached hereto. Collectively, the organization is referred to herein as “________________.”

Second, identify the level at which the enterprise’s risk appetite is determined and/or corporate governance is managed. This is important if the CGAD will be filed at, for example, a holding company level. Sample language:

The level at which the organization’s risk appetite is determined, the level at which the earnings, capital, liquidity, operations, and reputation are overseen collectively and at which supervision of those factors are coordinated and exercised, and the level at which legal liability for failure of general corporate governance duties is at the level of [company name]. Therefore, this Disclosure will focus primarily on governance as it relates to [company name], except as otherwise noted. The boards of [other companies, if applicable] provide some general governance oversight of their respective company. Attached hereto are summaries of any differences in procedures applicable to those companies.

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Identify the Directors of the entity at which governance is overseen. Note if they serve on the Board of other companies in the organization. Attach an organizational chart of the Board and Senior Management. Sample language:

The Directors of [company] are: [names and titles.] [Names of individuals] also serve as Directors of [other companies.] An organization chart of the Board of Directors and senior management is attached.

Identify the documents in which the company’s corporate governance procedures and practices are set forth. Sample language:

The Company’s corporate governance practices are based upon several documents and guidelines that will be referred to herein and are attached as exhibits. Those documents include:

- Articles of Incorporation
- Bylaws
- Governance Guidelines
- Code of Ethics
- Conflicts of Interest policy
- Board committee charters

Each of these documents (and described procedures and policies that are not included in the documents) articulates elements of our Company’s corporate governance framework and will be referenced herein. Each document referenced above is attached to this Disclosure.

Describe the documents and what each contains, as it relates to governance. Sample language:

ARTICLES OF INCORPORATION AND BYLAWS
The foundations of corporate governance are the Articles of Incorporation and Bylaws. Section _____ of the Articles sets forth the number of Directors which shall sit on the Board and how that number is determined. The Articles also confer the power and authority on the Board to amend the Bylaws. The Bylaws provide in detail the powers and duties of the Board of Directors.

- Article _____ expressly places ultimate responsibility for the governance and operation of the Company on the Board of Directors.
- Article _______ sets forth the number of Directors and their terms. [If there are term limits or retirement...]

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provisions explain those here.]

- Article ____ sets forth provisions related to the addition and removal of Directors, Board meetings, and voting.
- Article ____ relates to Board Committees. [Describe the committee structure here.]
- Article ____ relates to Directors’ conflicts of interest.
- Article ____ sets forth powers and responsibilities of the senior officers.

GOVERNANCE GUIDELINES
Identify when the guidelines were adopted and by whom and what topics are covered in the guidelines. Sample language:

The guidelines address the following topics of governance:

- Composition of the Board;
- Director Independence
- Director Qualifications
- Director Selection Process
- New Director Orientation
- Duties of Care and Loyalty
- Director Compensation
- Indemnification
- Director Terms
- Board Roles and Functions
- Board Meeting Procedures
- Board Committees
- Access to and Relations with Management and Independent Advisors
- Evaluation of Senior Management and President/CEO Succession
- Conflicts of Interest Policy
- Code of Ethics
- Non-Public Company Information Policy

The Governance Guidelines are reviewed and revised on a regular basis by the Governance Committee.

BOARD COMMITTEE CHARTERS
There are ____ committees of the Board. [Insert names of the Committees.] The charters for the ________ committees are included with this disclosure. [Note if committees do not have charters.] The_______________ committees do not have formal charters, but their functions will be fully explained herein.

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SECTION 1: THE COMPANY’S CORPORATE GOVERNANCE FRAMEWORK

There is no set or required format for the body of the CGAD. However, much like Form B, Form C, Form D, and Form F filings, you can restate the questions and categories of information requested and follow the format set forth in the statute and regulation.

I. THE CGAD SHALL DESCRIBE THE INSURER’S OR INSURANCE GROUP’S CORPORATE GOVERNANCE FRAMEWORK AND STRUCTURE INCLUDING CONSIDERATION OF THE FOLLOWING.

(1) The Board of Directors and various committees ultimately responsible for overseeing the insurer or insurance group and the level(s) at which that oversight occurs (e.g., ultimate control level, intermediate holding company, legal entity, etc.). The insurer or insurance group shall describe and provide rationale for the current Board size and structure.

Sample language:

The Company’s business is managed under the direction of the Board of Directors of [company name.] The Board provides governance of the Company’s affairs and provides direction of a quality and nature that optimizes the development, growth, and performance of the Company. Responsibility for and oversight of corporate governance ultimately rests with [you can state “the Board of Directors and its senior management” as applicable.]

The role of the Directors is [state whether it is advisory in nature, and how specific day-to-day management functions and decision making are delegated.] Activities of the Board and committees of the Board considered to be essential include [include a list of those activities in which the Board engages – these are examples]:

- Approving the Company’s mission and vision;
- Selecting, monitoring, evaluating, compensating, and—if necessary—replacing the CEO and other senior executives, and ensuring management succession;
- Reviewing and approving management’s strategic and business plans, including developing a depth of knowledge of the insurance business, understanding and questioning the assumptions upon which such plans are based, and reaching an independent judgment as to the probability that the plans can be realized;

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• Reviewing and approving the enterprise’s financial objectives, plans, and actions, including significant capital allocations and expenditures;
• Reviewing and approving material transactions not in the ordinary course of business;
• Understanding and assessing the material enterprise risks facing the Company and overseeing risk management strategies;
• Monitoring the Company’s performance against its strategic and business plans, including overseeing the operating results on a regular basis to evaluate whether the business is being properly managed;
• Ensuring ethical behavior and compliance with laws and regulations, auditing and accounting principles, and the corporation’s own governing documents;
• Assessing the Board’s own effectiveness in fulfilling these and other board responsibilities; and
• Performing such other functions as are prescribed by law, or assigned to the Board in the governing documents.

Describe the composition of the board. Sample language:

The Board of Directors is comprised of [number] Directors. A brief biography of each Director is set forth below. [Note whether the Directors’ NAIC biographical affidavits are on file and indicate that they are incorporated by reference. Identify how many Directors are independent, outside and insiders. If they serve on subsidiary or affiliate boards, you should note this as well.]

A [number] member Board is an appropriate size for a mutual insurance organization the size of the Company. [Describe the size of the company – you can use DWP, surplus, lines of business, licensed states, etc....] This size allows for sufficient outside experience to be brought to the Company without the problems inherent in a larger board.

Describe the leadership structure of the Board. Sample language:

The Board has a Chairman and a Vice Chairman. The Chairman, Vice Chairman and CEO must all be separate persons. The Chairman and Vice Chairman must be independent Directors.

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Explain if any insiders sit on the Board and why. Sample language:

The CEO and CFO also serve on the Board of Directors. Having these individuals on the Board allows for significant interaction and positive interface between senior management and the Board of Directors.

(2) The duties of the Board and each of its significant committees and how they are governed (e.g., bylaws, charters, informal mandates, etc.), as well as how the Board’s leadership is structured, including a discussion of the roles of Chief Executive Officer and Chairman of the Board within the organization.

Duties of the Board - sample language (same as above):

**DUTIES OF THE BOARD**

The duties of the Board and committees of the Board considered to be essential include [include a list of those activities in which the Board engages – these are examples]:

- Approving the Company’s mission and vision;
- Selecting, monitoring, evaluating, compensating, and—if necessary—replacing the President, CEO and other senior executives, and ensuring management succession;
- Reviewing and approving management’s strategic and business plans, including developing a depth of knowledge of the insurance business, understanding and questioning the assumptions upon which such plans are based, and reaching an independent judgment as to the probability that the plans can be realized;
- Reviewing and approving the enterprise’s financial objectives, plans, and actions, including significant capital allocations and expenditures;
- Reviewing and approving material transactions not in the ordinary course of business;
- Understanding and assessing the material enterprise risks facing the Company and overseeing risk management strategies;
- Monitoring the Company’s performance against its strategic and business plans, including overseeing the operating results on a regular basis to evaluate whether the business is being properly managed;
- Ensuring ethical behavior and compliance with laws and regulations, auditing and accounting principles, and the corporation’s own governing documents;
• Assessing the Board’s own effectiveness in fulfilling these and other board responsibilities; and
• Performing such other functions as are prescribed by law, or assigned to the Board in the governing documents.

If your company utilizes other specific governing documents, like Governing Guidelines, cite to those and quote the guidelines as applicable. Sample language:

The roles of the Board and management are explained in the Governance Guidelines. The Guidelines contain the following provisions:

1. The business of the Company is conducted by the employees, managers and officers, under the direction of the President and the oversight of the Boards. The Boards of Directors are elected by policyholders to oversee management and to assure that the long-term interests of the policyholders are being served.

2. In addition to its general oversight of management, the Boards also perform other specific functions, including:
   a. selecting, evaluating and compensating the CEO and overseeing succession planning;
   b. providing counsel and oversight on the selection, evaluation, development and compensation of senior management of the company;
   c. reviewing, monitoring and, where appropriate, approving fundamental financial and business strategies and major corporate actions of the company;
   d. assessing and overseeing enterprise risks facing the company and reviewing and approving options for their mitigation; and
   e. ensuring processes are in place for maintaining the integrity of the company - the integrity of the financial statements, the integrity of compliance with laws and ethics, the integrity of relationships with policyholders, and the integrity of relationships with other interested parties.

3. The Board of Directors is responsible for oversight of management performance. Its primary duty is to select and retain a well-qualified and ethical CEO who, with Senior Management, runs the Company on a daily basis. There should be available, on a continuing basis, the Chairman’s and CEO’s recommendation as a successor in the event of an unexpected vacancy of that position.
4. The Board will also monitor management’s performance. In that regard, the Board of Directors will annually review the performance of the CEO with reference to the CEO’s annual goals. This evaluation should include the setting of clear expectations of performance and results of short and long-term goals. The Board is responsible for ensuring that competitive compensation packages are in place to attract and retain an effective level of executive management talent.

Describe the role Board Committees play in governance. Sample language:

ROLE OF BOARD COMMITTEES
The Bylaws require the existence of an Executive Committee and describes its duties. There are formal charters for each of the following Committees: [list committees.] Those charters are attached hereto.

If the Board has Committees without charters, explain why there is no charter and the guidelines that govern the functioning of the committee. Sample language:

The ______________ Committee operates pursuant to the description of its duties as set forth in the Governance Guidelines.

Or: The ______________ Committee does not have a formal charter, but operates pursuant to an ______________ policy adopted by the Board.

Additional sample language:

The Board of Directors may delegate to committees any of the powers of the Board, except as prohibited by applicable law. The Chairman of the Board, the CEO, and/or the Committee Chair will determine the agenda and frequency of each Committee meeting. Minutes of each Committee meeting shall be kept. Senior Management or other designated employees will be available to advise the Committees. The Committee chairs will report the details of their meetings to the Board following each meeting of the respective committees.

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Identify each Board committee and explain its makeup and function. Attach a list of committees with the members of the committees included. Sample language for common mutual company Board committees:

EXECUTIVE COMMITTEE
The Executive Committee is comprised of [state the members of the Board on this committee, if applicable.] The Executive Committee meets in those months when there is no meeting of the Board of Directors. The Executive Committee conducts such business for the Board that is essential to the operation of the Company and cannot be reasonably delayed until the next meeting of the Board. Any action undertaken or business conducted by the Executive Committee is properly recorded in the minutes of the Committee’s meeting and distributed to the Board of Directors for consideration and ratification at its next regular meeting.

COMPENSATION COMMITTEE
The Compensation Committee is responsible for overseeing the Company’s compensation and benefit plans. This includes setting the compensation and benefits of Senior Management, ensuring linkage between compensation and long-term goals, and conducting or managing the process of the evaluation and review of the CEO’s salary and benefits.

AUDIT COMMITTEE
The tasks of the Audit Committee include: choosing and retaining external auditors; reviewing the audit plan; reviewing with the auditors their proposed audit report and management letter; meeting privately with the independent auditor from time to time and at least once annually in person to review management’s internal controls; and reviewing with management and the independent auditor the financial statements of the Company prior to filing. The Board and Chairman may consider each committee member’s financial background, training, and experience when appointing the members of the Audit Committee.

INVESTMENT COMMITTEE
The Investment Committee is responsible for: establishing and maintaining investment policies and guidelines; determining and monitoring asset allocation for investments; setting expectations for diversification and security selection and asset performance; monitoring returns and reviewing asset performance; approving certain investment transactions; hiring investment managers; reviewing the overall effectiveness and appropriateness of investment policies and recommending changes; and reporting to the Board on these duties.

SALES AND MARKETING COMMITTEE
The Sales and Marketing Committee is responsible for reviewing the plans, goals, objectives and year-end results

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of the sales and marketing operations. The Committee may meet with selected agency management as desired; review new products as they are developed; maintain an overview of all Company marketing activities; and perform other functions as may be assigned by the Chairman of the Board.

GOVERNANCE COMMITTEE
The Governance Committee is responsible for oversight of all corporate governance aspects of the activities of the Board. The Committee is appointed to advise the Board with respect to: the organization and function of the Board; monitoring the performance of the Board; oversight and development of the Governance Guidelines; identification and nomination of individuals qualified to be a Director; ensuring that Directors are provided with initial orientation materials and continuing Director education opportunities; and regularly assessing the performance and effectiveness of each Director, each committee and the Board as a whole.

Describe the functions and duties of the leadership of the Board, specifically the CEO and Chair. Sample language:

BOARD LEADERSHIP
The Board is led by the Chairman of the Board, who is supported by the Vice Chairman of the Board. The Chairman and Vice Chairman are elected by the members of the full Board on an annual basis. The Vice Chairman assumes the role of the Chairman in the event of the absence of the Chairman from a meeting.

ROLE OF THE CHAIRMAN
The formal role of the Chairman is generally to preside over the meetings of the Board of Directors and perform any other duties assigned by the Board. In practice, the Chairman’s role is broader and more robust. The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors. The Chairman is accountable to the Board as a whole. The Chairman acts as the communicator for Board decisions where appropriate. The Chairman is independent from senior management and free from any interest and any business or other relationship which could interfere with the Chairman’s independent judgment [if applicable. Explain whether the Chair is an inside, outside, or independent Director and the basis for this choice.]

The Chairman is advised by and consulted with on a regular basis by the CEO on significant operations, transactions, risks and other aspects of the operations of the Company. The Chairman participates with the CEO in setting the agendas for Board and Executive Committee meetings, as well as any other committee of which the Chairman also serves as the Chair. The Chairman selects the members of each Board committee. The Chairman is also responsible for assessing the Governance Committee’s review of the effectiveness of the Board as a whole, the
Committees of the Board, and individual Directors.

ROLE OF THE CEO
The CEO is the ultimately responsible party for the successful, continued operation of the Company. The CEO must possess knowledge of and experience with the insurance business and management principles involved in strategic planning, resource allocation, human resources, leadership, products, and coordination of people and resources necessary to lead the Company.

The CEO must possess certain knowledge, skill and abilities. These include:

- Complex Problem Solving: Identifying complex problems and reviewing related information to develop and evaluate options and implement or approve solutions.
- Critical Thinking: Using logic and reasoning to identify the strengths and weaknesses of alternative solutions, conclusions or approaches to problems.
- Judgment and Decision Making: Considering the relative costs and benefits of potential actions to choose the one that will provide the greatest benefit for the highest number of stakeholders.
- Active Listening: Giving full attention to what other people are saying, taking time to understand the points being made, asking questions as appropriate, and not interrupting at inappropriate times.
- Communication: Conveying substantive and critical information effectively, clearly and persuasively. Speaking comfortably and sharing information, resources, praise and credit.
- Management of Personnel Resources: Motivating, developing, and directing people as they work; helping to identify the best people for the jobs; and identifying potential leaders, and enabling and developing them.
- Time Management: Managing time efficiently and the time of others wisely and effectively.
- Leadership: Consistently leading with vision, in a way that inspires trust.
- Accountability: Holding people accountable for their performance, promises and goals.
- Delegation: Comfortably delegating important tasks to others.
- Vision: Has a vision for the organization and communicates it effectively so others can also see the vision clearly, and effectively pass the message on.
Additional/alternate sample language:

The CEO has several important responsibilities in the areas of: management of administration and control; managing strategic decision making and enterprise risk, and managing the Company’s human capital. Among these responsibilities includes:

- Oversight of senior management responsible for the Company’s investment, financial and budget activities to fund operations, maximize investments, and increase efficiencies.
- Directing, planning and implementing policies, objectives, and activities of the Company to ensure continuing operations that meet the Company’s strategic goals.
- Reporting regularly to the Board concerning activities, expenses, budgets, enterprise risks, material transactions and other items affecting businesses or program services.
- Oversight of corrective action plans to solve organizational, departmental, legal and regulatory risks.
- Analyze operations to evaluate performance of the Company or its staff in meeting objectives or to determine areas of potential cost reduction, program improvement, and policy change.
- Oversee and manage the performance of the senior officers of the Company.
- Represent the Company in the local community and before ratings agencies and industry trade groups.

Additional/alternate sample language:

The job description of the CEO is attached. It lists the primary job responsibilities as follows:

- Plan, develop, organize, implement, direct, evaluate and control the organization’s fiscal function and performance.
- Evaluate and advise on the impact of long range planning, introduction of new programs and strategies.
- Provide analysis of budgets, financial reports and financial trends to assist the Board and senior executives in performing their responsibilities.
- Provide strategic financial input and leadership on decision making issues affecting the organization.
- Support operations and administration of the Board by advising and informing Board members and interfacing between the Board and staff.
• Recommend a yearly budget and prudently manage the Company’s resources within those budget guidelines, according to current laws and regulations.
• Assure the organization and its mission, programs, products and services are consistently presented in a strong, positive image to relevant stakeholders.
• Provide leadership and management to ensure that the mission and core values of the organization are put into practice.
• Direct the Company’s strategic planning process.
• Spearhead the development, communication and implementation of effective growth strategies and processes.
• Motivate and leads a high-performance management team.
• Serve on the Board of Directors and committees as elected/appointed.

(3) How the corporate governance and structure facilitates each director and the board of directors acting: (1) in good faith; and (2) in a manner the director or board of directors reasonably believes to be in the best interests of the corporation.

Explain how the board structure lends itself to good faith performance in the best interest of the company. Sample language:

The structure of the Board and the governance policies and procedures described herein play a very important role in the effective functioning of the Company. As noted above, individual Directors and the CEO are answerable to the full Board. No single Director, including the Chairman, may act independently of the others and all actions must be ratified by the Board as a whole.

Explain how the mixture of independent/inside/outside Directors serve the greater governance goal. Sample language:

_______ Directors are [independent/outside/inside, as applicable.] While Board Committees are provided with certain roles and duties, the Board retains the authority to make all final decisions on the matters addressed to those Committees. This separation of powers and separation of duties, with accountability to the Board as a whole, ensures that the Board is acting in good faith and in the best interests of the Company.

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SECTION 2: THE COMPANY’S POLICIES AND PRACTICES

II. THE INSURER OR INSURANCE GROUP SHALL DESCRIBE THE POLICIES AND PRACTICES OF THE MOST SENIOR GOVERNING ENTITY AND SIGNIFICANT COMMITTEES THEREOF, INCLUDING A DISCUSSION OF THE FOLLOWING FACTORS:

(1) How the qualifications, expertise and experience of each Board member, including integrity, accountability, informed judgment, financial literacy, mature confidence, and high performance standards meet the needs of the insurer or insurance group.

This is the section in which the background and experience of each Director should be set forth. Be sure to highlight how that experience and background benefits the Board and the Company. Certain industries and backgrounds may be of interest to regulators, such as law, finance, accounting, government relations, and executive leadership. Make sure you provide enough background to ensure the regulator has a good understanding of the Directors’ collective and individual experience and how they combine to benefit the Company and its policyholders. Sample language:

The Directors have a mixture of extensive and varied business experience and each provides unique insight to the Board and each committee on which they serve. The Board’s collective skillset is weighted to [describe what fields are highlighted on the board] expertise, which are the most important aspects to managing a mutual insurance company. Each Director is held to the highest standards of integrity, accountability, informed judgment, financial literacy, mature confidence, and high performance. The Board seeks broad and balanced experience in the fields significant to the management of an insurance company.

Here is where you set forth the biography for each Director. It is good to categorize them, for example, if there are multiple attorneys, bankers, CPAs, or business executives on the Board. Identify positions of leadership each Director holds or has held outside of the Company and any awards or professional designations each Director may have that relate to their financial literacy, business management, civic involvement, elected office, or other public service.
(2) How the board as a whole possesses all of the following core competencies, with each candidate contributing knowledge, experience, and skills in at least one domain:

- a) accounting or finance;
- b) business judgment;
- c) industry knowledge;
- d) management;
- e) leadership; or
- f) vision and strategy.

This section, if required, should highlight, again, the experience of the Directors which you’ve already set forth. Sample language – it should be, of course, modified to fit the skillset of your Board:

The biography of each Director is set forth above. All Directors have significant experience exercising business judgment, leadership, management, vision and strategy skills in their careers in executive management, government and public service, and/or business ownership as detailed above. As noted, certain Directors are experts in accounting and finance, having spent their business careers in banking or accounting. Other Directors are well versed and experienced in legal and regulatory matters. The Director charged with the most extensive knowledge of the insurance industry is the CEO, who has many years of experience in the insurance industry.

(3) A clear articulation of director responsibilities including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials;

Sample language:

The Board has ____ scheduled meetings a year during which they review and discuss reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. Directors are expected to attend all scheduled Board meetings in person and all committee meetings in person or by telephonic, videoconference, or other electronic means. To prepare for meetings, Directors are required to carefully review materials that are made available in advance of meetings.

Describe what materials are provided to the Board in advance and how they obtain those materials and information. Sample language:

All reports and other documents to be reviewed by the Board are provided several days in advance of each Board meeting [by means of electronic transmission, upload to a corporate portal, mailed, etc....] Those...
documents include, but are not limited to, written reports by officers, company financial statements, business and strategic plans, goals and objectives and any other documents that are material and relevant to the meeting of the Board or requested to be included by any Director.

(4) How the board:

   a) oversees the conduct of the corporation’s business to evaluate whether the business is being properly managed;

This is a place you can cross-reference other sections of the CGAD. Sample language:

The response to this question is detailed in full in Section I. above.

   b) reviews and, where appropriate, approves the corporation’s financial objectives and major corporate plans and actions;

Sample language:

Any major corporate plans and actions, such as acquisitions, divestitures, or territory expansion, are presented to and formally approved by the Board of Directors as a whole. Financial objectives for the upcoming calendar year are set annually by the CEO, COO and CFO and provided to the Board of Directors no later than each December. See Sections I. and III. of this Disclosure for further discussion.

   c) reviews and, where appropriate, approves major changes in, and determinations of other major questions of choice respecting, the appropriate auditing and accounting principles and practices to be used in the preparation of the corporation’s financial statements and its risk management policies;

Sample language:

The Audit Committee is responsible for reviewing and analyzing changes and determinations of questions of choice respecting the appropriate auditing and accounting principles and practices to be used in the preparation of the enterprise’s financial statements. The Audit Committee makes recommendations to the Board on these matters, which must then be approved by the Board as a whole. The Enterprise Risk Management committee is tasked with review and oversight of the risk management policies of the enterprise. Any changes or alterations of those policies

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are reviewed and approved by the Board as a whole. See further discussion in Section IV.

d) selects, regularly evaluates, fixes the compensation of, and, where appropriate, replaces the principal
senior executives; questions of choice respecting, the appropriate auditing and accounting principles and
practices to be used in the preparation of the corporation’s financial statements and its risk management
policies;

It’s acceptable to refer to other parts of the CGAD where appropriate. Sample language:

See Section III. for a comprehensive discussion of senior management oversight and compensation policies and
practices.

e) the effectiveness of the corporation’s internal controls;

Sample language:

The Company has contracted with an outside auditing firm to conduct annual audits of the Company’s controls and
financial reporting. All conclusions and reports created by the outside auditor are provided to the Audit Committee
for their review. At least once a year, representatives from the outside auditing firm report directly to the Board of
Directors regarding the audit without members of management present, including the CEO. Directors are reminded
of their independent access to the outside auditors for questions regarding Company activity. Through this reporting
procedure, as well as internal reports provided by senior management and examinations by regulators, the Board
may adequately assess the effectiveness of internal controls.

f) arrangements for providing adequate and timely information to directors;

Sample language:

All reports and other documents to be reviewed by the Board are provided several days in advance of each Board
and Executive Committee meeting [by means of electronic transmission, upload to a corporate portal,
mailed, etc....] Those documents include, but are not limited to, written reports by officers, company financial
statements, business and strategic plans, goals and objectives and any other documents that are material and
relevant to the meeting of the Board or requested to be included by any Director.
g) Performs such other functions as are prescribed by law, or assigned to the board under a standard of the corporation.

Sample language:

See Section I., Section IV. and discussion throughout this Disclosure.

(5) Whether the insurer or insurer group has established, and reviews at least annually, corporate governance principles that address, at a minimum:

a) board leadership,
b) qualifications for directors,
c) director independence,
d) director responsibilities,
e) the structure and functioning of board committees and, where appropriate, charters for those
f) board access to management and advisers,
g) director compensation,
h) director orientation and continuing education, and
i) management succession.

This is where you can cross-reference to any governance guidelines that have been adopted and attached to the CGAD. Sample language:

See the attached Governance Guidelines for a discussion of the guidelines applicable to these topics. These Guidelines are reviewed on a regular basis by the Governance Committee, no less than annually, updated on an as-needed basis, and subject to review and approval of the Board.

(6) How an appropriate amount of independence is maintained on the Board and its significant committees.

Describe what controls are in place to set the number of independent, inside, and outside Directors on the Board and each committee. Remember that a non-employee Director may not be “independent” if they conduct a certain level of business with the Company or a business in which they have an ownership or management role does business with the Company (such as a CPA firm, an insurance agency, or a law firm.) Sample language:

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The inside members of the Board of Directors are __________. All other Directors are independent Directors. The positions of Chairman and Vice Chairman are filled by [independent/outside/inside] Directors. The Board must also follow any laws and regulations applicable to the residence of its Directors [if such requirements appear in the law of the domiciliary state.]

Sample language regarding committee independence:

With respect to committee independence, a list of the current membership of each Board committee is included with this disclosure. The membership of each committee is chosen by [describe how committee membership is established.] Each committee has a different Chairman. No Director, other than the Chairman of the Board, may sit on more than 2 committees at a time. On occasion, the Chairman will shift committee assignments to provide the Directors with additional committee experience.

(7) The number of meetings held by the Board and its significant committees over the past year as well as information on director attendance.

This is self-explanatory. Sample language:

BOARD: The Board met ___ times over the past 12 months. Director attendance in person at Board meetings is mandatory absent sickness or emergency. The Board meeting schedule is set well in advance so each Director can adequately plan their personal attendance. All Directors were in attendance either in person (or by teleconference or videoconference in the event of sickness or emergency) at the meetings.

EXECUTIVE COMMITTEE: The Executive Committee meets [frequency]. All committee members were present for each meeting over the past 12 months.

AUDIT COMMITTEE: The Audit Committee meets [frequency]. All members were present for each meeting in the last 12 months.

INVESTMENT COMMITTEE: The Investment Committee meets [frequency]. All committee members were present for each meeting over the past 12 months.

GOVERNANCE COMMITTEE: The Governance Committee meets [frequency]. All committee members were present for each meeting over the past 12 months.

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Sample language for a missing committee member:

One member of the __________ Committee was absent and excused for the __________ Committee meeting in [month].

(8) How the insurer or insurance group identifies, nominates, and elects members to the Board and its committees. The discussion should include, for example:

   a) Whether a nomination committee is in place to identify and select individuals for consideration.

Sample language:

The Governance Committee is responsible for serving as the Company’s nominating committee. The Governance Committee has historically selected [a number, if applicable] individuals to interview for an open Director position. ______ individual(s) is/are chosen by Committee to be nominated for full Board vote.

Describe how committee assignments are made here. Sample language:

The Chairman of the Board is responsible for selecting members of each Committee, in consultation with the Vice Chairman and CEO.

   b) Whether term limits are placed on directors.

Sample language:

[Describe term limits or age limitations here.] There [are/are not] Director term limits. [Describe the length of the terms and the reasoning behind the term limits.]

   c) How the election and re-election processes function.

Sample language:

Directors are elected by the policyholders of the Company. Policyholders may either designate the Chairman of the Board as their proxy, or they may vote by mail or in person at the Company’s annual policyholder meeting.

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If the Company utilizes a proxy form, note that here.

A proxy form (attached hereto as an exhibit) is provided with each policy at issuance and may be returned by mail to the Company. The proxy is valid for ___ years.

d) Whether a Board diversity policy is in place and if so, how it functions.

Describe your diversity policy if one exists. Remember that “diversity” can mean a variety of things – not just race, age, gender, nationality, ethnicity, sexual orientation, or other common definitions of diversity. It can also include diversity of background, education, industry, and experience. The CGAD model law does not mandate that a Board have a formal diversity policy. Sample language:

When selecting new Directors, the Board seeks diversity of background and experience that is appropriate for the size and business of the Company. The Governance Committee is responsible to ensure that there is a diverse mixture of experience and backgrounds on the Board.

(9) The processes in place for the Board to evaluate its performance and the performance of its committees, as well as any recent measures taken to improve performance (including any Board or committee training programs that have been put in place).

Explain any formal Board, committee, and/or Director review processes the Board may have in place.

Each Director’s individual performance, the performance of the Board, and the performance of each committee are monitored by the Governance Committee and reported to the full Board. [If there is a formal review process utilizing forms, attach the forms as an exhibit and explain the process by which the forms are completed, reviewed, and utilized.]

Highlight any Board or Director educational or training programs and any Director membership in a Director leadership group or program. Sample language:

The Company’s Directors are required to be members of __________________. Through this membership, Directors have access to a significant amount of information and guidance on best corporate governance practices, including updates on governance practices and procedures, sample governance documents such as charters and evaluations, Director educational training, and local seminars.
(10) How these factors assist the board and management in meeting their responsibilities for governance and oversight, for the insurer’s corporate governance transparency, competency and commitment, accountability and objectivity, independent board leadership, the insurer’s ethics, integrity, and responsibility, attention to information and strategy, and policyholder and stakeholder communications.

This is your catch-all section to discuss anything related to governance as set forth in this section that has not already been discussed. Sample language:

All the factors, policies and procedures described throughout this Disclosure contribute to fulfillment of the responsibilities of the Board, senior management and all employees to the policyholders, regulatory agencies, corporate stakeholders, and the general public.

SECTION 3: DIRECTION OF SENIOR MANAGEMENT

III. THE INSURER OR INSURANCE GROUP SHALL DESCRIBE THE POLICIES AND PRACTICES FOR DIRECTING SENIOR MANAGEMENT, INCLUDING A DESCRIPTION OF THE FOLLOWING FACTORS:

(1) Any processes or practices (i.e., suitability standards) to determine whether officers and key persons in control functions have the appropriate background, experience, and integrity to fulfill their prospective roles, including:

a) Identification of the specific positions for which suitability standards have been developed and a description of the standards employed.

b) Any changes in an officer’s or key person’s suitability as outlined by the insurer’s or insurance group’s standards and procedures to monitor and evaluate such changes.

Describe the experience, skills and education that executive officers must have. Sample language:

Each executive officer’s position has a job description that contains requirements regarding education and experience that the person holding that position must have. Those whose position requires an advanced degree, such as General Counsel, must also have that degree from an accredited school. With respect to officers whose positions require professional designations or licenses, those designations and licenses must be maintained. Certain executive officers must also maintain insurance designations appropriate for their position, such as the
Certified Property and Casualty Underwriter (CPCU) designation.

Explain the review process for executive officers. Sample language:

Each executive officer’s suitability and performance is regularly monitored throughout the year. Their performance is formally reviewed [describe review timing and substance.] The CEO’s performance is reviewed annually by the Board of Directors.

Describe any recent changes in job descriptions or requirements for positions.

(2) The insurer’s or insurance group’s code of business conduct and ethics, the discussion of which considers, for example:

   a) conflicts of interest, corporate opportunities, and fair dealing;
   b) confidentiality and protection and proper use of company assets;
   c) compliance with laws, rules, and regulations; and
   d) proactive reporting of any illegal or unethical behavior.

This is where you can reference attachments rather than a description, if the Company has adopted policies and procedures that address these categories. Sample language:

The Company’s Conflicts of Interest policy, Code of Ethics, Whistleblower policy, and Private Information Policy are attached. All factors set forth above are adequately addressed in these policies.

(3) The insurer’s or insurance group’s processes for performance evaluation, compensation and corrective action to ensure effective senior management throughout the organization, including a description of the general objectives of significant compensation programs and what the programs are designed to reward. The description shall include sufficient detail to allow the Commissioner to understand how the organization ensures that compensation programs do not encourage and/or reward excessive risk taking. Elements to be discussed may include, for example:
a) The Board’s role in overseeing management compensation programs and practices.

Set forth a comprehensive discussion of the Board’s role in oversight of management compensation and how compensation is set for management. Sample language:

The Board has ultimate responsibility to ensure that competitive compensation packages are in place to attract and retain an effective level of executive management talent. The Board has delegated regular oversight of the enterprise’s management compensation programs and practices to the Compensation Committee.

Describe whether the Company participates in salary surveys and how management salaries are set. Sample language:

The Company participates in ________ salary survey. The Company targets ____% of the_____ percentile or median base salary of the previous year for management and officers.

Explain how raises, if any, or reductions in salary are set. Sample language:

The Compensation Committee establishes a percentage salary increase for the next year, if warranted by company financial results and economic conditions. Any deviations from the recommended salary increase for executive officers is at the discretion of the Board. The Committee reports their recommendations to the Board for their review and approval.

The performance and job duties of all executives are taken into consideration when setting compensation and benefits, ensuring a linkage between compensation and long-term goals. Such considerations are taken into account by the Board when managing the process of the evaluation and review of senior management’s salary and benefits.

b) The various elements of compensation awarded in the insurer’s or insurance group’s compensation programs and how the insurer or insurance group determines and calculates the amount of each element of compensation paid;

Describe all elements of executive compensation. Sample language:

Base executive compensation is comprised of:

- an annual salary
• benefits such as health insurance, life insurance and disability income insurance; and
• matching contributions to each executive’s 401(k) retirement account up to ____% of the executive’s salary.

Some executives may receive a bonus, depending on company and individual performance. Some executives may be provided company cars for their personal and business use.

Sample language related to calculation of salaries:

Executive salaries are set annually by the Board of Directors. Salary surveys, while not perfect, are one element that is used by the Committee to determine executive salaries to recommend to the Board. Historical salary data is also reviewed. Individual job performance and, for the CEO overall enterprise financial performance, are important factors in salary levels.

Sample language related to bonus programs:

Bonuses, if any, are determined by the Board. Bonuses are based on performance of the individual and the Company during the prior calendar year. If the individual’s performance or that of the Company declines during the year in which a bonus is paid, the employee may not be eligible for a bonus paid the following year.

Sample language related to calculation of benefits:

Employee benefits such as health and life insurance are provided to executives on the same basis as all other eligible Company employees. Executives are also allowed to participate in the Company’s 401(k) retirement program on the same basis as all other eligible employees, including receipt of a matching contribution of up to ____% of the employee’s salary.

Sample language related to calculation of taxable fringe benefits:

Some executives may receive taxable fringe benefits, such as use of a company car. The Company may lease or purchase the vehicle and pay for maintenance and fuel used for business purposes. The vehicles may be used for personal purposes, but excessive personal use is discouraged.
c) How compensation programs are related to both company and individual performance over time;

Sample language:

Compensation is directly related to company and individual performance, both short term and long term.

d) Whether compensation programs include risk adjustments and how those adjustments are incorporated into the programs for employees at different levels;

Sample language if risk adjustments are not included in the Company’s compensation program:

There are no specifically or discretely identified “risk adjustments” applied to employee compensation. As noted above, the job requirements and performance of each employee is considered when setting compensation and benefits.

e) Any clawback provisions built into the programs to recover awards or payments if the performance measures upon which they are based are restated or otherwise adjusted;

Sample language if clawback provisions are not included in the Company’s compensation program:

There are no formal clawback provisions built into executive compensation. However, salary and benefits may be adjusted at any time during the year, up or down, depending on the executive’s individual performance and, for the CEO, the Company’s performance.

f) Any other factors relevant in understanding how the insurer or insurance group monitors its compensation policies to determine whether its risk management objectives are met by incentivizing its employees.

Sample language:

Executive compensation is monitored on an ongoing basis, and is specifically reviewed by the [Governance/Compensation] Committee and the Board. The Board may revisit the amount and type of compensation of any executive at any time throughout the year as necessary. Compensation may be adjusted at any time due to any factor including, but not limited to, whether the company’s risk management objectives are being met.
(4) The insurer’s or insurance group’s plans for CEO and Senior Management succession.

Describe the Company’s succession planning process. Sample language:

Succession planning is a responsibility of the Governance Committee. The Committee regularly identifies those executives who may be retiring in the near future, and has established contingency plans in the event of an untimely death or departure of an executive officer. The Committee’s plans are reviewed at least annually by the full Board.

If there are anticipated retirement dates for senior management who may be within 3-5 years of retirement, identify which officers may be retiring:

It is anticipated that the [list officer titles here] will retire in the next 3 – 5 years. The Board and the CEO have begun the planning process to select appropriate candidates to replace the retiring senior executives.

If it is anticipated that there will be internal promotions, note that here:

The Board has identified current senior executives within the enterprise for special mentoring and training in anticipation that they will be promoted to higher level executive positions within the enterprise.

   a) whether the board reviews the succession plans at least annually;

Sample language:

Succession planning is monitored by the Governance Committee and the Board on an ongoing basis. Formal succession plans are reviewed no less than annually by the Governance Committee and the Board and updated on an as-needed basis.

   b) whether the board, or a committee, is charged with primary responsibility for the implementation and monitoring of the suitability and performance of the CEO and senior management;

Sample language:

The [name Committees as applicable] and the Board are responsible for the implementation and monitoring of the suitability and performance of the CEO and senior management. See the discussion above regarding the

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oversight and monitoring of the performance of the CEO and senior management.

c) the person or persons charged with organizing the board’s evaluation of the CEO or other members of senior management;

Sample language:

The ____________ Committee is charged with evaluating the individual performance of the CEO on at least a ______ basis. The CEO monitors and evaluates the performance of senior management on an ongoing basis and holds official performance reviews on no less than a ______ basis.

d) whether independent directors create and control the methods and criteria for evaluating the CEO, the board, and individual directors.

Sample language if the evaluative function is controlled by independent directors:

All controls and methods related to evaluation of the CEO by the Board are created by and controlled by independent Directors. The CEO does not perform a self-evaluation. The Governance Committee is comprised of independent Directors and is responsible for evaluation of the functioning of the Board and individual Directors.

SECTION 4: OVERSIGHT OF CRITICAL RISK AREAS

IV. THE INSURER OR INSURANCE GROUP SHALL DESCRIBE THE PROCESSES BY WHICH THE BOARD, ITS COMMITTEES AND SENIOR MANAGEMENT ENSURE AN APPROPRIATE AMOUNT OF OVERSIGHT TO THE CRITICAL RISK AREAS IMPACTING THE INSURER’S BUSINESS ACTIVITIES, INCLUDING A DISCUSSION OF:

(1) How oversight and management responsibilities are delegated between the Board, its committees and Senior Management;

Sample language:

The Company is managed under the direction of the Board of Directors. The Board provides general governance
of the company’s affairs and provides direction of a quality and nature that optimizes the development, growth, and performance of the Company. Responsibility for and oversight of risk management, enterprise profitability and corporate governance ultimately rests with the Board of Directors.

Alternate sample language:

The Board of Directors is elected by the policyholders to oversee management and to assure that the long-term interests of the policyholders are being served. The role of the Directors is advisory in nature, with specific day-to-day management functions and decision making delegated to the Company’s senior officers. The business of the Company is conducted by the employees, managers and officers, under the direction of the CEO and the oversight of the Board. The Board believes that, as a general matter, the management speaks for the Company.

In drafting, you could also re-state the duties of the Board. Sample language:

In addition to its general oversight of management, the Board also performs specific functions, including:

- selecting, evaluating and compensating the CEO of the company and overseeing CEO succession planning;
- providing counsel and oversight on the selection, evaluation, development and compensation of senior management of the company;
- reviewing, monitoring and, where appropriate, approving fundamental financial and business strategies and major corporate actions of the company;
- assessing and overseeing enterprise risks facing the company and reviewing and approving options for their mitigation; and
- ensuring processes are in place for maintaining the integrity of the company - the integrity of the financial statements, the integrity of compliance with laws and ethics, the integrity of relationships with clients and policyholders, and the integrity of relationships with other interested parties.

Additional/alternative sample language:

The Board of Directors is responsible for oversight of management performance. Their primary duty is to select and retain a well-qualified and ethical CEO who, with Senior Management, runs the Company on a daily basis.

The Board will also monitor senior management’s performance. In that regard, the Board of Directors will annually
review the performance of the CEO’s performance with reference to the CEO’s annual goals. This evaluation will include the setting of clear expectations of performance and results of short and long-term goals.

Sample language related to delegation to committees:

The Board of Directors may delegate to committees any of the powers of the Boards of Directors, except as prohibited by applicable state laws. The Chairman of the Board, the CEO, and/or the Committee Chairman will determine the agenda and frequency of each Committee meeting. Minutes of each Committee meeting shall be kept. Senior management or other designated employees will be available to advise the Committees. The Committee chairs will report the highlights of their meetings to the respective Board following each meeting of the respective committees.

(2) How the Board is kept informed of the insurer’s strategic plans, the associated risks, and steps that Senior Management is taking to monitor and manage those risks;

Explain the reporting process – who reports directly to the Board? How do they report? In writing, in person? How often? What do their reports include? Is there discussion? Does the Board have access to senior management for questions, other than the CEO? Sample language:

All executive officers, including the CEO, are required to provide written reports to the Board of Directors at each Board meeting. Senior officers may report in person at Board and/or Executive Committee meetings. Senior management charged with oversight of functional areas of the Company, such as legal, compliance, accounting, investments, sales, and information technology regularly interact with the Board and relevant committees.

Each written and oral report is designed to provide a regular update to the Board on progress on strategic plans, risks to the enterprise, and any steps that are taken to address the plans and risks. More detailed discussion of plans and risks occur at relevant committee meetings. Minutes of those meetings are available to be reviewed by each Director and the Committee chair reports the activities of the committee to the Board on a regular basis.

Items of importance that cannot be delayed until the next Executive Committee or Board meeting are reported by the CEO to the Chairman and Vice Chairman of the Board on an as-needed basis. The Chairman decides whether the matter requires the immediate attention of the full Board. If necessary, a meeting of the Executive Committee and/or full Board is scheduled for full discussion.
(3) How the board approves the insurer’s risk profile;

Sample language:

The Board is routinely updated on all elements of enterprise risk facing the Company. The Enterprise Risk Management Committee and the Chief Risk Officer are responsible for developing the Company’s risk profile and reporting this profile to the Board for approval. The Board oversees and is responsible for the actions and decisions of the Enterprise Risk Management Committee.

(4) How the board is assured that the strategic plans conform to that risk profile;

Describe the company’s strategic planning process and how risk assessment and mitigation is part of the strategic planning process. Sample language:

The Company engages in a strategic planning process every [frequency of strategic planning process.] The strategic plan is designed with the intent to identify potential future risks that must be addressed and creation of action plans designed to reduce, eliminate or mitigate those risks. During the period in which the plan encompasses, the action plans and strategies in the plan are reviewed by the Board on a regular basis to ensure that they are being carried out and, if in conflict with newly-identified risks, altered to ensure that corporate activities and goals are consistent with all identified risks. The Board is provided with regular updates by the Chief Risk Officer on progress and any alteration of strategies and action plans within the strategic plan.

(5) How reporting responsibilities are organized for each critical risk area. The description should allow the Commissioner to understand the frequency at which information on each critical risk area is reported to and reviewed by Senior Management and the Board. This description may include, for example, the following critical risk areas of the insurer:

Above there is a discussion regarding reporting to the Board by senior management. You can restate that discussion here. Depending on how risk reporting is handled, you may need to add more information. Sample language:

As noted above, senior management is required to provide monthly written reports to the Board related to their functional area or company. Senior management may also report in person at each Executive Committee and/or
Board meeting. All executive officers interact with the CEO on a regular, ongoing basis, who then provides an update to the Board:

a) Risk management processes (An ORSA Summary Report filer may refer to its ORSA Summary Report pursuant to the Risk Management and Own Risk and Solvency Assessment Model Act);

Be sure to incorporate by reference the company’s ORSA report (and/or Form F, if the company does not file an ORSA report, but is subject to the holding company laws) as applicable:

The Chief Risk Officer is responsible for the Company’s enterprise risk program. The CRO reports to the Board monthly on enterprise risk, in consultation with the Enterprise Risk Management Committee. The Company’s [Form F/ORSA Report] is on file with the Department and incorporated as if set forth herein.

b) Actuarial function;

Sample language:

The Chief Actuary reports [frequency] to the Board. The Chief Actuary is responsible for overseeing the calculation of reserves and establishment of appropriate premiums. The Chief Actuary is also responsible for cooperating with the company’s external auditors and regulators and is responsible for working with the external auditors, regulators, and company senior management to resolve any significant issues regarding the company’s reserves. The Board of Directors receives and reviews reports, including certification of internal controls with respect to the establishment of reserves. The documentation of review and action taken by the board related to reserves is included in the minutes of such Board meetings.

c) Investment decision-making processes;

Sample language:

The Company’s Chief Investment Officer is a member of the Investment Committee, which meets [frequency], and reports [frequency] to the Board. Each investment voucher must be approved by the Board [or by the ________ Committee.]

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d) Reinsurance decision-making processes;

Sample language:

The CEO is responsible for making recommendations regarding reinsurance to the Board. All reinsurance decisions take into consideration the ability of the Company to handle fluctuations in claim experience. Changes in retention levels must be approved by senior management and reported to the Board of Directors.

e) Business strategy/finance decision-making processes;

Sample language:

Business strategy and finance decisions are the responsibility of CEO, CIO and the CFO. Each one of these individuals report monthly or more often to the Chairman, the Vice Chairman and/or the full Board. The CEO is a member of the Board and Executive Committee and works closely with the Chairman and Vice Chairman.

f) Compliance function and

g) Market conduct decision-making processes;

Often these functions are combined. Sample language:

Compliance and market conduct are the responsibility of the Chief Compliance Officer, who provides a report to the Board on a [frequency] basis. The CCO reports directly to _____ and provides compliance and market conduct related information to the Board and CEO on a regular basis.

h) Financial reporting/internal auditing.

Sample language:

Financial reporting and internal auditing, as well as oversight of the Company’s external auditor, are the responsibility of the CFO, who provides a report to the Board on a [frequency] basis. The CFO also reports directly to the CEO and provides financial reporting and audit related information to the CEO on a regular basis.

GUIDE KEY

Sections in bold are drafting tips and advice.
Italicized sections are sample responses.
Blue sections are language from the model regulation regarding required content.
IMPORTANT NOTE: Red font indicates sections that are not in the model regulation, but may be required in certain states, such as California. Please consult your state’s CGAD law and/or regulation to determine if these sections must be included, or if there are other sections that are not in the NAIC model.
Again, this guide is meant to be advisory in nature. Use of the sample responses is not guaranteed to ensure compliance with the CGAD law or regulation, but to be used as a starting point. Please consult your legal and compliance advisors. This guide is meant for NAMIC members only and should not be shared, copied, or otherwise distributed publicly.
ADDITIONAL INFORMATION

If the CGAD is reported at a holding company level, but there are governance procedures that differ at an individual subsidiary or affiliated company level, it is recommended that those procedures be specifically detailed in exhibits to the CGAD for each company. Sample language:

Attached hereto are specific governance procedures for [subsidiary and/or affiliated companies] to the extent that they differ than what has been set forth herein.

Make sure that you include an attestation section, consistent with the requirement in the model regulation.

ATTESTATION

The undersigned is the Corporate Secretary of the reporting entity and attests to his/her best belief and knowledge that the reporting entity has implemented the corporate governance practices and that a copy of the disclosure has been provided to the insurer’s board of directors or the appropriate committee thereof.

[name]
Corporate Secretary
[company name]
NAIC No:

Date Signed ____________________ Report As of Date ____________________

GUIDE KEY

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