



State of Utah

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Insurance Department

TODD E. KISER
Insurance Commissioner

BULLETIN 2019-3

To: Utah Domestic Insurers and Insurance Groups

From: Todd E. Kiser, Utah Insurance Commissioner

Date: December 11, 2019

Subject: **Suggested Framework for Corporate Governance Annual Disclosures**

During its last session, the Legislature enacted the Corporate Governance Annual Disclosure Act, *Utah Code § 31A-16b-101 through 108*. The Act takes effect on January 1, 2020. The Department anticipates enacting a rule that will identify particular information to be disclosed pursuant to the Act. But until the rule is enacted, insurers and insurance groups are encouraged to consider the accompanying series of questions that provide a framework for preparing the disclosure required by the Act.

Please address questions about this Bulletin to Dan Applegarth (dapplegarth@utah.gov), Jake Garn (jwgarn@utah.gov) or Reed Stringham (rmstringham@utah.gov).

DATED this 11th day of December 2019.

Todd E. Kiser
Insurance Commissioner

Utah Insurance Department
Framework for Disclosure Required by CGAD Act

The following questions provide a framework for preparing the disclosure required by Utah's Corporate Governance Annual Disclosure Act.

Be as descriptive as possible in answering the questions. Include attachments or example documents used in the governance process because they may provide a means to demonstrate the strengths of governance framework and practices.

Name of domestic insurer:

Governance framework and structure

- (1) Describe the corporate governance framework and structure.
- (2) Identify the Board committees that are ultimately responsible for overseeing the insurer or insurance group and state the level(s) at which that oversight occurs (e.g., ultimate control level, intermediate holding company, legal entity, etc.).
- (3) Describe and discuss the rationale for the current Board size and structure.
- (4) Describe the Board's duties and how the Board is governed, e.g., bylaws, charters, informal mandates, etc.
- (5) Describe the duties of each of the Board's significant committees and how each committee is governed, e.g. bylaws, charters, informal mandates, etc.
- (6) How is the Board's leadership structured?
- (7) Describe the roles of Chief Executive Officer (CEO) and Chairman of the Board within the organization.

Governance policies and practices of the Board and its committees

- (8) Describe the policies and practices of the most senior governing entity and significant committees thereof.
- (9) How do the qualifications, expertise and experience of each Board member meet the needs of the insurer or insurance group?
- (10) How is an appropriate amount of independence maintained on the Board and its significant committees?
- (11) State the number of meetings of the Board in the last year.
- (12) For each of those meetings, identify the directors who did and did not attend.
- (13) For each significant Board committee, state the number of meetings held in the last year.
- (14) For each of those meetings, identify the committee members who did and did not attend.
- (15) How are members of the Board and members of its committees identified, nominated and elected? Describe the role of a nominating committee, if any.
- (16) Are term limits placed on directors?
- (17) How does the re-election process function?
- (18) Is a Board diversity policy in place and, if so, how does it function?
- (19) Describe processes in place for the Board to evaluate its performance and the performance of its committees.
- (20) Describe Board or committee training programs or other measures taken to improve performance.

Policies and practices for governing senior management

- (21) Describe the policies and practices for directing senior management.

- (22) Are there processes, practices or standards to determine whether officers and key persons in control functions have the appropriate background, experience and integrity to fulfill their prospective roles?
- (23) Describe those processes, practices or standards and identify the position to which they apply.
- (24) What changes have there been in an officer's or key person's suitability for a position assessed by those processes, practice,s or standards?
- (25) Describe the applicable code of business conduct and ethics.
- (26) Describe how the code addresses compliance with laws, rules, and regulations.
- (27) Describe how the code addresses proactive reporting of any illegal or unethical behavior.
- (28) What are the processes for performance evaluation of senior management?
- (29) What are the processes for compensation of senior management?
- (30) What is the Board's role in overseeing management compensation programs and practices?
- (31) What are the general objectives of significant compensation programs?
- (32) What are those compensation programs designed to reward?
- (33) What elements of compensation are awarded in the compensation programs?
- (34) How is the amount of each element of compensation determined and calculated?
- (35) How are those compensation programs designed to ensure that they do not encourage and/or reward excessive risk taking?
- (36) Describe the extent to which compensation programs are related to both company and individual performance over time.
- (37) Do compensation programs include risk adjustments? If so, how are those adjustments incorporated into the programs for employees at different levels?
- (38) Describe 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.
- (39) Provide other information relevant to understanding how compensation policies are monitored to determine whether risk management objectives are met by incentivizing employees.
- (40) What are the processes for corrective action for senior management?
- (41) What are the plans for CEO and senior management succession?

Oversight and management of critical risk areas that affect business

In answering the questions in this section, you should understand that the phrase "critical risk areas" includes: risk management processes (an ORSA Summary Report filer may refer to its ORSA Summary Report pursuant to Title 31A, Chapter 16a); actuarial function; investment decision-making processes; reinsurance decision-making processes; business strategy/finance decision-making processes; compliance function; financial reporting/internal auditing; and market conduct decision-making processes.

- (42) How are oversight and management responsibilities delegated between the Board, its committees and Senior Management to oversee and manage the critical risk areas impacting the insurer's business activities?
- (43) How is the Board informed of strategic plans, associated risks, and steps to monitor and manage those risks?
- (44) How are reporting responsibilities organized for each critical risk area?
- (45) How frequently are the Board and Senior Management given information on each critical risk area?
- (46) How frequently do the Board and Senior Management review this information?