

Chapter Ins 53

CORPORATE GOVERNANCE ANNUAL DISCLOSURES

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Ins 53.01 Purpose. The purpose of these regulations is to set forth the procedures for filing, and the required contents of, the corporate governance annual disclosure, deemed necessary by the commissioner to carry out the provisions of s. 610.80, Stats.

History: CR 19-013: cr. Register April 2020 No. 772, eff. 5-1-20.

Ins 53.02 Definitions. In addition to definitions contained in s. 610.80 (1), Stats., the following definitions shall apply in this chapter:

(1) “Commissioner” means the Wisconsin insurance commissioner.

(2) “Insurance group” means those insurers and affiliates included within an insurance holding company system, as defined at s. 622.03 (2), Stats.

(3) “Senior management” means any corporate officer responsible for reporting information to the board of directors at regular intervals or providing this information to shareholders or regulators and shall include, for example, the chief executive officer (CEO), chief financial officer, chief operating officer, or any other “C” level executives.

History: CR 19-013: cr. Register April 2020 No. 772, eff. 5-1-20; correction in (2) made under s. 35.17, Stats., Register April 2020 No. 772.

Ins 53.03 Filing procedures. Each year following the initial filing of the corporate governance annual disclosure, the insurer or insurance group shall file an amended version of the previously filed disclosure indicating where changes have been made. If no changes were made in the information or activities reported by the insurer or insurance group, the filing should so state.

History: CR 19-013: cr. Register April 2020 No. 772, eff. 5-1-20.

Ins 53.04 Contents of the corporate governance annual disclosure. (1) The insurer or insurance group shall be as descriptive as possible in completing the corporate governance annual disclosure, with inclusion of attachments or example documents that are used in the governance process, since these may provide a means to demonstrate the strengths of their governance framework and practices.

(2) The corporate governance annual disclosure shall describe the insurer’s or insurance group’s corporate governance framework and structure including consideration of all of the following:

(a) The board and its various committees that are ultimately responsible for overseeing the insurer or insurance group and the level at which oversight occurs, for example, the ultimate control level, intermediate holding company level, or legal entity level. The insurer or insurance group shall describe and discuss the rationale for the current board size and structure.

(b) The duties of the board and each of its significant committees and how they are governed, including bylaws, charters, informal mandates, as well as how the board’s leadership is structured,

including a discussion of the roles of CEO and chairman of the board within the organization.

(c) The insurer or insurance group shall describe the policies and practices of the most senior governing entity and significant committees including a discussion of the following factors:

1. How the qualifications, expertise and experience of each board member meet the needs of the insurer or insurance group.

2. How an appropriate amount of independence is maintained on the board and its significant committees.

3. The number of meetings held by the board and its significant committees over the past year as well as information on director attendance.

4. 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.

b. Whether term limits are placed on directors.

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

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

5. 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.

(d) 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 including, as an example, the 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.

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

a. Compliance with laws, rules, and regulations.

b. Proactive reporting of any illegal or unethical behavior.

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 or reward excessive risk

taking. Elements to be discussed may include, for example, all of the following:

- a. The board's role in overseeing management compensation programs and practices.
 - 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.
 - c. How compensation programs are related to both company and individual performance over time.
 - d. Whether compensation programs include risk adjustments and how those adjustments are incorporated into the programs for employees at different levels.
 - e. Any claw back provisions built into the programs to recover awards or payments if the performance measures upon which they are based are restated or otherwise adjusted.
 - 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.
4. The insurer's or insurance group's plans for CEO and senior management succession.
- (e) 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 the following:

1. How oversight and management responsibilities are delegated between the board, its committees and senior management.
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.
3. 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 shall include the following critical risk areas of the insurer:
 - a. Risk management processes. An own risk and solvency assessment summary report filer may refer to its assessment summary report under s. 622.09, Stats.
 - b. Actuarial function.
 - c. Investment decision-making processes.
 - d. Reinsurance decision-making processes.
 - e. Business strategy and finance decision-making processes.
 - f. Compliance function.
 - g. Financial reporting and internal auditing.
 - h. Market conduct decision-making processes.

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