



ADMINISTRATIVE RULES OF MONTANA



6.6.8704 CONTENTS OF CORPORATE GOVERNANCE ANNUAL DISCLOSURE

- (1) The insurer or insurance group shall be as descriptive as possible in completing the CGAD, and shall include any relevant attachments or example documents that are used in the governance process.
- (2) The CGAD shall describe the insurer's or insurance group's corporate governance framework and structure. Its description shall include consideration of:
 - (a) the board of directors, including the rationale for the current board size and structure, the committees ultimately responsible for overseeing the insurer or insurance group, and the levels at which that oversight occurs, such as the ultimate control, intermediate holding company, or legal entity level; and
 - (b) the duties of the board and each of its significant committees and how they are governed, such as bylaws, charters, or informal mandates, 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.
- (3) The insurer or insurance group shall describe the policies and practices of the most senior governing entity and its significant committees, including a discussion of:
 - (a) how the qualifications, expertise, and experience of each board member meets the needs of the insurer or insurance group;
 - (b) how an appropriate amount of independence is maintained on the board and its significant committees;
 - (c) the number of meetings held by the board and its significant committees over the past year, and information on director attendance;
 - (d) how the insurer or insurance group identifies, nominates, and elects members to the board and its committees. The discussion should include:
 - (i) whether a nomination committee is in place to identify and select individuals for consideration;
 - (ii) whether term limits are placed on directors;
 - (iii) how the election and reelection processes function; and
 - (iv) whether a board diversity policy is in place and if so, how it functions.

- (e) 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. The discussion should disclose any board or committee training programs.
- (4) The insurer or insurance group shall describe the policies and practices for directing senior management, including a description of:
- (a) any processes or practices, including 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:
 - (i) identification of the specific positions for which suitability standards have been developed and a description of the standards employed; and
 - (ii) 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.
 - (b) the insurer's or insurance group's code of business conduct and ethics, including consideration of:
 - (i) compliance with laws, rules, and regulations; and
 - (ii) proactive reporting of any illegal or unethical behavior.
 - (c) 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:
 - (i) the board's role in overseeing management compensation programs and practices;
 - (ii) 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;
 - (iii) how compensation programs are related to both company and individual performance over time;
 - (iv) whether compensation programs include risk adjustments and how those adjustments are incorporated into the programs for employees at different levels;
 - (v) 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; and
 - (vi) 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; and
 - (vii) the insurer's or insurance group's plans for chief executive officer and senior management succession.

- (5) 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:
- (a) how oversight and management responsibilities are delegated between the board, its committees, and senior management;
 - (b) 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; and
 - (c) how reporting responsibilities are organized for each critical risk area. The description must 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:
 - (i) risk management processes. An ORSA Summary Report filer may refer to its ORSA Summary Report pursuant to 33-2-1130 through 33-2-1138, MCA;
 - (ii) actuarial function;
 - (iii) investment decision-making processes;
 - (iv) reinsurance decision-making processes;
 - (v) business strategy and finance decision-making processes;
 - (vi) compliance function;
 - (vii) financial reporting and internal auditing; and
 - (viii) market conduct decision-making processes.

Authorizing statute(s): 33-2-2105, MCA

Implementing statute(s): 33-2-2101, 33-2-2102, 33-2-2103, 33-2-2104, 33-2-2105, 33-2-2106, 33-2-2107, 33-2-2108, 33-2-2109, MCA

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