

AIDA Questionnaire on the Corporate Governance of Insurers
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I. **General**

- 1. In your Jurisdiction, what corporate governance models are available to insurance companies? In case multiple models are available, describe the main differences and the allocation of management and monitoring powers among the relevant Board of Directors / committees and which model is generally or ideally adopted by insurance companies.**
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The governance of insurance companies is regulated by the Law on the taking-up and pursuit of the business of (re)insurance, which harmonized Greek law with the Solvency II Directive. The main company type for insurance undertakings is the joint stock company governed by the Codified Law on Sociétés Anonymes (C.L. 2190/1920). Listed companies are governed also by the special Law on corporate governance. A number of companies in Greece, even if non-listed, apply the Greek Code of Corporate Governance issued by the Greek Industry Association which is a tool on a comply-or-explain basis and is not obligatory for non-listed entities. An insurance undertaking can also take the form of a mutual company as well as a cooperative or of the European public limited-liability company (Societas Europaea). Furthermore, insurance companies are subject to the more restrictive rules regarding entities of public interest.

According to the Law on the taking-up and pursuit of the business of (re)insurance, insurance companies are subject to rigid corporate governance obligations. They are required to have in place an efficient governance system which ensures their proper management. The corporate chart has a segregation of duties and an efficient mechanism to ensure the transfer of information within the organisation. They shall have and implement written policies, approved by their board of directors (BoD) regarding risk management, internal control, internal audit, compliance and outsourcing. They are also required to have organised the actuarial function. Those policies are re-evaluated, updated or reviewed at least annually to comply with any internal or external change in the undertaking or its business plan. (Re)insurance undertakings shall have in place and implement an effective internal control system. All necessary governance policies shall be in line with the business strategy of the insurance undertaking. The policies shall be in writing and approved by the BoD.

The internal control system ensures the compliance of the (re)insurance undertakings with the applicable laws, regulations and administrative provisions and the effectiveness and the efficiency of the undertaking's operations in light of its objectives as well as the availability and reliability of financial and non-financial information.

(Re)insurance companies are free to apply the corporate governance model which they have structured under the condition that is it in accordance with the above mentioned national corporate governance law and other competent national regulations.

There are no separate corporate governance models prepared especially for insurance companies; the only available model is that produced by the Greek Industry Association, which principally targets its members, i.e. companies listed on the Athens Stock Exchange and active in any industry. The model also provides a best practice tool which can serve as governance guidance for non-listed companies.

2. What are the main sources of regulation addressing corporate governance of companies (and in particular of insurance companies)? e.g., statutes, regulations, other rules / recommendations issued by national and supranational supervisors / regulators, self-regulation, codes of best practice, codes of ethics.

Main sources are:

1. National regulation
 - i. Law 4364/2016 on the taking-up and pursuit of the business of (re)insurance
 - ii. Executive Committee of Bank of Greece decisions (decision No 60-105/2016 on the Corporate Governance of insurance companies in Greece).
2. EU regulation
 - i. Directives (Directive 2009/138/EC – Solvency II)
 - ii. Implementing Regulations
 - iii. EIOPA guidelines.

3. In your jurisdiction, are you aware of any insolvency or distress of an insurer directly attributable to poor corporate governance standards or practices or failure to adequately implement and apply such principles? If so, please identify the main triggers of the insolvency.

There have been a number of insolvencies and distresses, mainly owing to poor governance (e.g. family-owned companies) which in turn resulted to non-timely taking of measures to prevent insolvency. Weak state supervision exercised before the Bank of Greece was nominated as superintendent of insurance in 2010, was a contributing factor.

4. In your jurisdiction, is corporate governance regulation applied according to the nature, scale and complexity of an insurer's business? If yes, please describe any significant differences and rationale for the differences.

It is stressed throughout the entire regulation on insurance undertakings that the governance obligations apply and the respective supervision must be exercised under the proportionality principle, taking into account the size, nature and complexity of the insurer's business. This creates a legal obligation for the supervisory authority and a right for the supervised entity.

In this context, the Law on the taking-up and pursuit of the business of (re)insurance excludes certain smaller entities (insurance cooperatives & small insurance undertakings) from the obligation to apply the rules relating to the strict board of directors' liability, the complicated corporate governance and the need to report public information. Smaller companies are not obliged to follow the same accounting rules and capital requirements. The specific written policies of the company, including these for risk management, internal control, internal audit and outsourcing, may aggregate operations to one person or one organizational unit, when it is about smaller or less complicated undertakings.

The Bank of Greece has issued two decisions¹, which define the quantitative and qualitative thresholds for mutual and non-mutual insurance undertakings (premium production, size of provisions, kind of risks written etc.) under which the governance obligations shall be modified. Such modifications include in particular one executive who is responsible for the functions and one actuary for the actuarial functions; less frequent and simpler regulatory reporting; also, reduced Minimum Capital Requirement (MCR).

5. Please provide specific examples of corporate governance structures and practices that are better implemented through self-regulation rather than through legal or supervisory requirements.

Almost the entire content of the Corporate Governance Model Code of the Greek Industry Association includes provisions related to structures and practices which add up to, improve and develop the limited, binding rules of the special Greek law on Corporate Governance. The governance introduced by Law the on the taking-up and pursuit of the business of (re)insurance supersedes and supplements these practices. Always subject to a reasonable application of the proportionality criterion, at the specific point of the economy, this may prove better for the organisation and governance of the insurance undertakings.

¹ Decisions 85/28.03.2016 and 91/25.04.2016

6. **In case your jurisdiction was recently requested to implement domestically certain corporate governance principles set forth by supranational regulations, describe the main obstacles and problems (if any) that resulted from such process.**
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The several main functions provided by the Greek Law which implemented the Solvency II Directive constitute an obstacle for many insurance undertakings because of their complexity and the volume of the requirements in terms of qualified persons and business units.

7. **Are there any significant differences between general corporate governance rules and the specific rules governing insurance companies?**
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Among others, it is worth to mention the corporate governance rules related to capital requirements as well as to actuarial issues.

II. **Fitness and Propriety of Board of Directors**

1. **Are there any laws or regulations already adopted or any proposals in your jurisdiction, relating to the qualification and composition of board directors in an insurance company? If so, please explain.**
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The Law on the taking-up and pursuit of the business of (re)insurance includes the critical requirements that the members of the BoD of an insurance undertaking shall have, such as professional qualifications, knowledge and experience, good repute and integrity, to enable sound and prudent management (adequacy). Said qualifications are also required by the company's employees carrying out basic activities. In addition, an Act of the Superintendent of Insurance (the Bank of Greece) includes very detailed regulations as regards the functions and further requirements of the BoD members. Said Act includes the related guidelines of EIOPA.

The composition of the BoD is partially regulated by the Law on joint stock companies and the Law on the taking-up and pursuit of the business of (re)insurance as well as by the Law regarding entities of public interest.

No further proposals are pending regarding the above issues.

2. **In your opinion, what factors, conditions, or incentives might weaken the independence of the board of directors or individual members of the board.**
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The independence of the BoD members can be weakened when a conflict of interest arises, as well as when they are incentivised by a higher remuneration, or if their remuneration is independent of achieving goals serving to the benefit of the company. The indirect conflict of interest is more dangerous because it is not always visible and it is not regulated by existing anti-conflict rules. The criteria for the election of such

members are also very important factors which may weaken the independence of the BoD members.

3. How does an insurance company ensure that individual board members and the board collectively have enough knowledge to monitor and oversee the activities of the insurer appropriately, particularly where specific expertise is needed?

The fitness of the directors and officers of insurance undertakings is examined by the supervisory authority. The law requires, that the board comprises members which cumulatively cover the requirements for the appropriate running of the company.

The company is required to develop such internal policies and procedures which ensure that the BoD has at all times sufficient and accurate information on corporate issues in order to make reasoned and beneficial decisions. Comprehensive rules regulate the processes that ensure the knowledge and the ability of the members of the board of directors to make informed decisions.

4. Are there significant differences in terms of requirements and duties between executive and non-executive members of the board of directors of an insurer?

Executive members of the board have the duty to administer the daily operation of the company, while non-executive members are focused on the oversight of the executive directors. Thus, non-executive members shall be highly experienced and qualified, in order to successfully execute their duties efficiently and successfully.

A sufficient number of non-executive members must be qualified as “independent” to ensure that any material conflict of interest involving directors will be properly dealt with. A best practice benchmark is provided by the Law on the corporate governance of listed companies, which requires that at least 1/3 of the board members shall be independent.

5. In your jurisdiction are there any black letter rules or general principles that enable directors to rely upon external opinions when addressing issues or aspects where specific expertise is needed?

The answer is two-fold. There are no black letter rules as such. However, the opinions or guidance of sufficiently reliable external experts shall be taken into account as appropriate and/or sufficient information to be relied on by the directors when they make a reasonable business decision in good faith for the benefit of the undertaking and without any conflict of interest, and such decision is scrutinised for eventual liability against the company. Often, insurance undertakings establish internal rules as to when it is permitted to ask for external opinions. However, some activities based on their nature are to be conducted as a rule by external expert, meaning in particular claims management/ average adjustment.

To the extent that outsourcing is concerned, the Law on the taking-up and pursuit of the business of (re)insurance provides the general rule that when outsourcing, the insurance undertaking remains fully responsible for discharging all of their obligations under the Law.

Outsourcing of critical or important operational functions or activities shall not be permitted, if it could harm the policyholders and the undertakings. The Law provides for four cases of such harm.

6. Describe the extent and scope of supervisor's / regulators / intervention with reference to the qualifications and to the activities of the board of an insurer.

The supervisory Authority shall have appropriate means, methods and powers to verify the system of governance of the insurance and reinsurance undertakings and for evaluating emerging risks identified by those undertakings which may affect their financial soundness. The supervisory Authority has the power to require that the qualifications and activities of the board be improved and strengthened to ensure compliance with the requirements set out by the Law for the persons who effectively run the undertaking.

The Bank of Greece in its capacity as superintendent of insurance has broad powers to interfere with the operation of the insurance companies. It may even demand the substitution of a member of the board of directors if said member does not fit the minimum requirements or is not competent to satisfactorily perform the duties required. The insurance companies shall provide all information that could facilitate the State supervision conducted by the Bank of Greece.

7. Are there any special rules and regimes applicable to the governance of subsidiaries belonging to an insurance group, also in terms of information flows?

In the cases of insurance conglomerates or insurance groups, there are additional requirements that address group-specific issues. Insurance holding companies are subject to provisions which regulate "group solvency", "group governance", "group reporting", "disclosure" and "group risk management". All the requirements set out for the corporate governance of an insurer apply also at the level of the group. The law provides that the natural and legal persons included within the scope of group supervision, and their related undertakings and participating undertakings, are able to exchange any information which could be relevant for the purposes of group supervision. Non-insurance subsidiaries of solo insurance undertakings are subject to the rules governing accounts and audit pursuant to Law.

III. Risk Management

1. In your opinion, what is the biggest risk challenge (e.g. regulation, capital standard, pricing, interest rate, cyber terrorism, etc.) facing the insurance industry today in your jurisdiction?

The biggest risk challenge is the heavy regulation and the great extent of the new rules to which the regulator is not sufficiently familiar till now. The permanent important risk is the pricing and in the last year, the high interest rate stipulated prior to the crisis for long term life insurance policies. In addition, the capital controls which restrict the free movement of capital and the rigid taxation imposed by the Government comprise local risks.

2. What specific laws or regulations, actual or pending in your jurisdiction, will present significant implementation risk challenge toward the insurance industry?

The Solvency II Directive harmonization as well as the several delegated Regulations and Acts of the European Commission shall have to be digested, as well as the multitude of Regulator's Acts, which in their majority consist of EIOPA guidelines. The main implementation process has been completed. There is a risk of litigation with respect to the blending of the new rules with the existing body of insurance legislation. The Insurance Distribution Directive 2016/97 (IDD) is now on the line for implementation by February 23, 2018 and the delegated Regulations on insurance distribution are expected to be enacted prior the above date. Said legislation brings about significant changes in the Greek insurance distribution market, as leakages re the law-drafting activity hold that the law will forthwith acknowledge only two types of intermediaries, i.e. agents and brokers (whereas now there are further divisions including the agency managers and simple insurance sellers). The General Data Protection Regulation (GDPR), including the obligation to appoint a DPO, which is to be enacted in May 2018, is expected to bring about many ripple effects. Although it may affect the procedures of insurance undertakings, it is expected to also create business opportunities for insurers.

IV. Ethics and Corporate Social Responsibility

1. Please provide any concrete examples where business ethical standards and / or corporate social responsibility standards have been applied and have changed the behaviors of the insurance company.

There are a number of initiatives undertaken by individual insurance companies in Greece, mostly focusing on either alleviating the results of the financial crisis or on supporting new business initiatives. The Association of Hellenic Insurance Companies itself undertakes some CSR initiatives in an effort to make insurance more friendly to the society.

We can indicatively mention the support of the UN Environmental Programme Financial Initiative, the participation in the European Road Safety Charter, the creation of the Corporate Social Responsibility programme "Life Actions". All these initiatives have

brought remarkable changes in the behavior of insurance companies during the last years.

- 2. In your jurisdiction, are there any specific laws or regulations already adopted or any proposals, or any arrangements in place in the governance system, relating to the protection of policy holders' and / or financial consumers' interests?**
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The Code of Consumer Conduct as well as the Code of Consumer Conduct for e-Commerce requires insurers to follow specific practices for the consumer protection. Insurers engaging in the electronic sale of policies must post on their website a link to the Online Distribution Resolution platform of the European Commission. When the IDD is implemented, the Product Oversight and Governance (POG) policies and processes will be introduced by insurers as well as by distributors to the extent they actively participate in the formation of new insurance products or the change of existing ones.

- 3. In your jurisdiction, is an insurance company required to produce an annual Corporate Social Responsibility (CSR) report or a Global Sustainability Initiative (GSI) report? If so, what context needed to be disclosed in these reports?**
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There is no such legal obligation. A number of companies do voluntarily apply a GSI and /or abide by the UN Compact's Sustainable Development Goals (SDGs) encompassed in the 2030 Agenda for Sustainable Development.

V. Disclosure

- 1. In your opinion, what mechanisms shall be in place or considered in an insurance company to ensure the transparency of its governance structure? (e.g., the articles of association, the organization chart any existing committees, the major shareholders, the ethical standard, corporate social responsibility, etc.)**
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The best way to ensure transparency is the public disclosure which is in depth regulated by the law. Thus, transparency exists by way of regulatory reporting requirements, including among others the Solvency and Financial Condition Report. From the company law point of view, there is information publicly available on the General Companies Register, including the directors, binding authorities, important changes in the articles of association and the representative powers, et al. Among others, the organization chart and corporate committees including CSR committee are also a valuable contribution to transparency.

- 2. Are there any governance practices that, in your opinion, can best be achieved through disclosure rather than through specific supervisory requirements? Which governance practices should be mandatory for an insurance company?**
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Owing to the detailed governance and transparency structure imposed by the insurance regulatory framework in Greece, there is no space for analysis in respect to this question; this is even more the case if the insurance company is listed on a regulated market.

However, in the context of the annual Solvency and Financial Condition Reports of insurance undertakings under the Solvency II requirements, which have been published in summer 2017 for the first time in abidance to the respective Solvency II obligation, the insurers in Greece have almost unanimously agreed that the information provided is too much and too sophisticated, with the result that it is more useful to competitors rather than to the users of the financial services and predominantly the insurance consumer. Therefore they are moving to suggest, via the Association of Greek Insurance Companies, a simpler model of information which would better address the requirement of consumer information. The regulator is not negative to this initiative at this stage.

3. What is the interplay between market abuse regulations and other disclosure / transparency rules applicable to listed insurers and industry specific rules applicable only to insurance companies?

MAR obligations are broadened in the case of listed insurance companies, in view of the very detailed disclosure requirements imposed on them. Therefore the possibilities for abuse of insider information seem to be larger in insurance undertakings. This can be addressed, among others, by controlling information gateways and enhancing Chinese walls between the various departments / sectors of the insurance company, to mitigate the possibility of insiders to compose a full or a clear picture as to the prospects and forward moving of the company.

VI. Outlook

In respect to corporate governance of insures, please describe your criticism on the system in your jurisdiction, any recommendations for the future, and / or the main challenges which insurance undertakings encountered.

Within the EU harmonized law environment, it remains to be seen how the proportionality principle shall be applied within the Greek jurisdiction, and how the newly introduced insurance regulation will blend with the existing corpus of the law.

Appendix to AIDA Rio Governance Questionnaire

Article 30 L. 4364/2016 [Article 41 Directive 2009/138/EU]

General governance requirements

1. Member States shall require all insurance and reinsurance undertakings to have in place an effective system of governance which provides for sound and prudent management of the business. That system shall at least include an adequate transparent organisational structure with a clear allocation and appropriate segregation of responsibilities and an effective system for ensuring the transmission of information. It shall include compliance with the requirements laid down in Articles 42 to 49.

The system of governance shall be subject to regular internal review.

2. The system of governance shall be proportionate to the nature, scale and complexity of the operations of the insurance or reinsurance undertaking.

3. Insurance and reinsurance undertakings shall have written policies in relation to at least risk management, internal control, internal audit and, where relevant, outsourcing. They shall ensure that those policies are implemented.

[For small or less complicated businesses, those policies may delegate to one person or one team to be responsible for operations, even when they consist from more than one fundamental duty.]*

Those written policies shall be reviewed at least annually. They shall be subject to prior approval by the administrative, management or supervisory Board of Directors and be adapted in view of any significant change in the system or area concerned.

4. Insurance and reinsurance undertakings shall take reasonable steps to ensure continuity and regularity in the performance of their activities, including the development of contingency plans. To that end, the undertaking shall employ appropriate and proportionate systems, resources and procedures.

5. The supervisory authorities shall have appropriate means, methods and powers for verifying the system of governance of the insurance and reinsurance undertakings and for evaluating emerging risks identified by those undertakings which may affect their financial soundness.

The Member States shall ensure that the supervisory authorities have the powers necessary to require that the system of governance be improved and strengthened to ensure compliance with the requirements set out in Articles 42 to 49.

**Not part of Article 41 of Solvency II*

Article 31 [Article 42 Directive 2009/138/EU]

Fit and proper requirements for persons who effectively run the undertaking or have other key functions

1. Insurance and reinsurance undertakings shall ensure that all persons who effectively run the undertaking or have other key functions at all times fulfil the following requirements:

(a) their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and

(b) they are of good repute and integrity (proper).

2. Insurance and reinsurance undertakings shall notify the supervisory authority of any changes to the identity of the persons who effectively run the undertaking or are responsible for other key functions, along with all information needed to assess whether any new persons appointed to manage the undertaking are fit and proper.

3. Insurance and reinsurance undertakings shall notify their supervisory authority if any of the persons referred to in paragraphs 1 and 2 have been replaced because they no longer fulfil the requirements referred to in paragraph 1.

Article 42 [Article 55, Directive 2009/138/EU]

Fit and proper requirements for persons who effectively run the undertaking or have other key functions

1. Insurance and reinsurance undertakings shall ensure that all persons who effectively run the undertaking or have other key functions at all times fulfil the following requirements:

(a) their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and

(b) they are of good repute and integrity (proper).

2. Insurance and reinsurance undertakings shall notify the supervisory authority of any changes to the identity of the persons who effectively run the undertaking or are responsible for other key functions, along with all information needed to assess whether any new persons appointed to manage the undertaking are fit and proper.

3. Insurance and reinsurance undertakings shall notify their supervisory authority if any of the persons referred to in paragraphs 1 and 2 have been replaced because they no longer fulfill the requirements referred to in paragraph 1.

Article 201 L. 4364/2016 [Article 246 Directive 2009/138/EU]

Supervision of the system of governance

1. The requirements set out in Title I, Chapter IV, Section 2 shall apply *mutatis mutandis* at the level of the group.

Without prejudice to the first subparagraph, the risk management and internal control systems and reporting procedures shall be implemented consistently in all the undertakings included in the scope of group supervision pursuant to Article 213(2)(a) and (b) so that those systems and reporting procedures can be controlled at the level of the group.

2. Without prejudice to paragraph 1, the group internal control mechanisms shall include at least the following:

(a) adequate mechanisms as regards group solvency to identify and measure all material risks incurred and to appropriately relate eligible own funds to risks;

(b) sound reporting and accounting procedures to monitor and manage the intra-group transactions and the risk concentration.

3. The systems and reporting procedures referred to in paragraphs 1 and 2 shall be subject to supervisory review by the group supervisor, in accordance with the rules laid down in Chapter III.

4. Member States shall require the participating insurance or reinsurance undertaking or the insurance holding company to undertake at the level of the group the assessment required by Article 45. The own-risk and solvency assessment conducted at group level shall be subject to supervisory review by the group supervisor in accordance with Chapter III.

Where the calculation of the solvency at the level of the group is carried out in accordance with method 1, as referred to in Article 230, the participating insurance or reinsurance undertaking or the insurance holding company shall provide to the group supervisor a proper understanding of the difference between the sum of the Solvency Capital Requirements of all the related insurance or reinsurance undertakings of the group and the group consolidated Solvency Capital Requirement.

Where the participating insurance or reinsurance undertaking or the insurance holding company so decides, and subject to the agreement of the group supervisor, it may undertake any assessments required by Article 45 at the level of the group and at the level of any subsidiary in the group at the same time, and may produce a single document covering all the assessments.

Before granting an agreement in accordance with the third subparagraph, the group supervisor shall consult the members of the college of supervisors and duly take into account their views or reservations.

Where the group exercises the option provided in the third subparagraph, it shall submit the document to all supervisory authorities concerned at the same time. The exercise of that option shall not exempt the subsidiaries concerned from the obligation to ensure that the requirements of Article 45 are met

II. Code of Conduct, issued by the Greek Industry Association (Greek acronym: SEB)

A Greek version of the code of conduct for listed companies, issued by the Association of Greek Businesses (SEB) on 2013 is available online:

<http://www.sev.org.gr/Uploads/pdf/kodikas_etairikis_diakivernisis_GR_OCT2013.pdf>.

This code is mainly influenced from the European and US similar codes for corporations.

III. Executive Committee of the Bank of Greece (Bank of Greece) decisions

All decisions – acts are available online:

<<http://www.bankofgreece.gr/Pages/el/Bank/LegalF/Decisionsepath.aspx>>