

GFIA comments on IAIS Application Paper on Group Corporate Governance

Paragraph	Comment
<p>General</p>	<p>We welcome the opportunity to comment on the Application Paper. IAIS Application Papers provide examples and illustrations of good practice; however, sometimes the wording used in this paper reads more prescriptive and granular than likely intended. This runs the risk of leading to supervisory overreach caused by such language that would blur the line between the insurance entity and the supervisor.</p> <p>It is the intention of the IAIS <u>not</u> to set any new standards: “it does not set new standards” (paragraph 1 of the draft Application Paper). Yet throughout the text the IAIS sets out overly granular recommendations which are in fact new standards. Often “should” is used when “may” would be more appropriate to illustrate potential supervisory approaches.</p> <p>Additionally, groups can vary greatly, but sometimes examples provided which may be applicable in certain circumstances read as if they would be good practice for all groups. Thus, it is important that when a good practice is provided, the context for such a practice is also provided; otherwise, some of the examples come across as one-size-fits-all, which is contrary to the purpose of an Application Paper.</p> <p>We support the notion of this Application Paper to allow for a variety in approaches to group governance structure between the two extremes of more centralized and more decentralized. The paper includes some examples that fit in a more centralized model without clear reference to its preference to a more centralized model, therefore we would suggest to clearly indicate such preferences by adding some language to avoid overshooting. Examples include the first bullet of paragraph 81, and third sentence of paragraph 91.</p> <p>We appreciate the clear recognition in the document that there is no one-size-fits-all approach to the organization and governance of insurers, and the effort made to address different approaches to the governance of groups. One general observation is that several good practices and recommendations include direct or implicit regulatory requirements for insurers/groups. In paragraph 1 the IAIS mentions the intention not to set any new standards. We would therefore encourage the IAIS to clearly separate recommendations for supervisors from obligations for insurers/groups. The latter should be subject of the regulatory framework for insurers/groups, i.e. ICPs and ComFrame, and should only be referenced in the application paper where necessary.</p> <p>There should be greater emphasis on proportionality. The paper purports to apply to insurance groups generally (paragraph 2) but mainly provides for flexibility on approaches across centralized versus decentralized structures, rather than for small groups versus complex conglomerates.</p>

	<p>A further general comment is that the paper refers in a number of areas to meetings with the Board and supervisors (e.g. para 19/24 on information exchange par 31 on strategy etc.). It should be made clear that it is not the intention that this engagement takes place through supervisory participation in Board meetings which would not be appropriate.</p> <p>As a final general comment, the Application Paper should maintain a group perspective. Throughout the Application Paper, there are frequent recommendations or directives to the group wide supervisor to take actions with respect to the legal entities within the group. However, the group-wide supervisor may not have the authority to take such actions under local law. Since the Application Paper is intended to provide guidance on group corporate governance matters, the language of the Application Paper should maintain a group perspective, should avoid directives to the legal entities's supervisors, and should be flexible enough to be used in any jurisdiction.</p>
Paragraph 18	<p>In the second sentence, delete "MoUs". MoUs establish a legal basis for information sharing and may reference acceptable methods of information sharing, but they are not a method of sharing information in and of themselves.</p> <p>Regardless of form, there should be a confidentiality agreement within a strict confidentiality regime that would apply to all forms of communication. And, there should be statutory language that insures that the supervisor cannot be required to disclose confidential information. Nor, may the information be used against the company.</p>
Paragraph 20	<p>This paragraph should require a confidentiality agreement be put in place between supervisors surrounding the use of information that is shared.</p>
Paragraph 22	<p>We would suggest amending the final sentence to make it clear it is recommending examples of fora at which issues can be resolved, not simply recommending that issues be resolved, e.g.: "Where such issues arise, these should be resolved at, for example, supervisory colleges or through bilateral discussions, where appropriate."</p>
Paragraph 23	<p>The example of multiple holding companies located in different jurisdictions is fairly common and may not necessarily lead to a complex group structure. Therefore, it may be appropriate to delete that example.</p>
Paragraph 24	<p>We suggest rephrasing the first sentence: "Insurance group structures should be sufficiently documented and transparent to manage the business, which in turn should provide clarity to insurance supervisors".</p> <p>The third sentence should be deleted or in the alternative, clarified in terms of the reason for making the group structure publicly available – while this may be appropriate at a high level, it would not be appropriate to make detailed structure information available.</p>
Paragraph 25	<p>The recommendations to approve acquisitions or a change of owners do not reflect best practices everywhere and should be modified accordingly. The authority for approval/reporting of restructuring should be clearly stated in the law, not assumed, and not the result of supervisory practices within colleges of supervisors. Certainty of legal</p>

	<p>requirements is needed, in order to plan any proposed changes to the group in light of established regulatory frameworks, rather than less formal discussions between supervisors.</p>
Paragraph 26	<p>We suggest using wording that is more in line with an Application Paper: "...more supervisory attention may be necessary to ascertain whether these mechanisms are working effectively. Involved supervisors may assess the effectiveness..."</p>
Paragraph 27	<p>The main role of the Board is to set overall direction and provide oversight. The role of the Board, as described in this paragraph, is too broad as it includes roles that are often performed by Senior Management, such as the development of strategies. This paragraph should be modified accordingly</p>
Paragraph 30	<p>It should be recognized that it is a core management responsibility to set and implement objectives and strategies and that it should be the insurer's Board to oversee the implementation of objectives and strategies as is provided in ICP 7.2.</p> <p>The first sentence of this paragraph should be reworded to clarify the proposed roles of the group-wide supervisor, the involved supervisor(s), the insurance legal entities, and of the head of the group, in the preparation and review of these statements.</p> <p>This paragraph recommends the supervisor assess the appropriateness and sustainability of a group's objectives and strategies. We do not consider it appropriate for the supervisor to permit or deny objectives and strategies based on the supervisor's view of their sustainability. Therefore, the last three sentences should be deleted or modified, as suggested above.</p> <p>In summary, it may be appropriate for supervisors to review an insurance group's strategies and objectives as they relate to various risk factors such as liquidity, reserves and capital labels. However, it should be left to the company to set general business objectives and strategies.</p>
Paragraph 33	<p>In practice, directors of subsidiaries can, and should be allowed to, reasonably take the group's interest into account.</p>
Paragraph 34	<p>This paragraph states that the group wide and other supervisor should review objectives and strategies in place at group and at insurance legal entity level to assess whether these are implemented across the group. It is not clear why this step is necessary or why it would be appropriate for the supervisor to intervene in this way where the local entity complies with its regulatory requirements, particularly for a centralised group where it is clear that strategy and objectives would be set at group level.</p>
Paragraph 35	<p>We request that the term "formal reporting mechanism" be clarified and/or further defined.</p>
Paragraph 36	<p>This paragraph should be edited to read: One aspect of "determining consistency".</p>
Paragraph 39	<p>Some wording is missing -- ICP 7.1 reads, "...Key Persons in Control Functions are clearly defined so as to promote..."</p>

Paragraph 41	<p>We have concerns with the statement that involved supervisors assess the appropriateness and effectiveness of delegations of authority from the Board of the head of the group to the Senior Management within the group. This is because it should primarily be the Board of the head of the group that independently ensures the appropriateness of those delegations of authority. If supervisors assess such appropriateness directly, it can give rise to concerns that such assessment would lead to excessive intervention by the supervisors into the group's management which in turn, hinders enhanced corporate value and/or market development by hampering autonomous business judgements of the insurance group.</p> <p>Supervisors should be satisfied that the framework which ensures appropriateness and effectiveness of delegations of authority from the Board functions as intended, rather than to assess such appropriateness and effectiveness, in order to achieve the objective of effective supervision.</p> <p>Accordingly, we request that this paragraph should be revised to read that supervisors should be satisfied that the framework ensures appropriateness and effectiveness of delegations of authority functions as intended.</p>
Paragraph 44	<p>This paragraph states that the group-wide supervisor should review documentation of decision-making and responsibilities and roles for governance of all insurance legal entities within the group. This seems to put a tremendous burden on the group-wide supervisor; in most cases, we would expect the group-wide supervisor to defer to the local supervisor in this area. In addition, there is a need for a statement that there must be a strict guarantee of confidentiality.</p>
Paragraph 46	<p>While the group structure has the potential to give rise to the conflicts of interest identified in paragraphs 46 and 47, the paper should also note that insurers have policies and procedures in place to manage any such conflicts, and this should be taken into account when assessing the composition of the Board. Cross-representation is not always a conflict that exacerbates risk.</p> <p>There is an inherent assumption that cross-representation creates conflicts and that such conflicts are necessarily bad; we disagree. Cross-representation should be a positive to the proper functioning of the group and, in turn, beneficial to supervisors. Having a group representative on the legal entity boards can be a vital link between the two, bringing the group perspective into the legal entity board discussions, as well as bringing the legal entity perspective into the group board. This sharing of different perspectives is especially important in situations where the board representative is a non-executive director. Sufficient challenge at the legal entity boards, combined with the presence of independent directors, will likely alleviate many conflicts.</p>
Paragraph 47	<p>The role of independent directors, especially at the subsidiary level, may differ from jurisdiction to jurisdiction. This is an example of where the paper prescribes a single structure rather than taking the more flexible approach we recommend. In addition, we are concerned about the suggestion that the Board minutes be reviewed by both the group-wide supervisor and other involved supervisors.</p>

	<p>GFIA believes that Board minutes are a corporate record. If they are routinely circulated outside of the organisation, then there is a risk that they will become less useful to corporate governance than they are currently. The wide-spread sharing of board minutes with the group-wide supervisor and other involved supervisors does not reflect current practice and, therefore, sets a new standard for the group and legal entity boards, a fact that is contrary to the express purpose of the Application Paper.</p> <p>Board minutes create a confidential corporate record and should only be made available to the supervisor with jurisdiction over the head of the group. If board minutes were routinely circulated outside of the organisation, they risk becoming anodyne and would not be as useful to good corporate governance as they might otherwise be. In the alternative, the supervisor might request access on a voluntary basis.</p>
Paragraph 48	Self-accessing conflicts of Board members is reasonable. Conflicts of interest policy may be included in other documents.
Paragraph 49	Conflict of interest policy may be included in other documents.
Paragraph 50	Not all policies necessarily apply at both the entity and group levels. So, the second sentence should be modified to read: "the entity and/or group level, as appropriate." And multiple sets of the same policy should not be required.
Paragraph 51	In the last sentence, we would like to see the word "risk" added so it reads: "create a common risk culture...".
Paragraph 52	This paragraph should be deleted, because the survey responses may not be indicative of all supervisors.
Paragraph 53	We appreciate the mention of confidentiality rules.
Paragraph 55	Not all Boards are required to, or need to, formally approve all policies. Without changes, the wording would impose burdensome requirements on all entity Boards. We would therefore urge the following edits to this paragraph: "It is a good practice for supervisors to understand how group policies are set. To do so, supervisors should look at the process for the adoption of policies". And, consistent with our comments in paragraph 47, delete sentences 3-6.
Paragraph 57	<p>This paragraph indicates that "Policies should set out the triggers that result in an update..." This seems overly prescriptive. It should be sufficient to say that:</p> <ul style="list-style-type: none"> • supervisors should assess whether the group policies are regularly updated to adapt to the group's business environment (Paragraph 56); and • the policies should set out the processes and procedures that govern the updating (as stated further along in Paragraph 57).
Paragraph 58	On the centralised model, we would prefer for policies to be as consistent as possible, but adapted to local requirements where necessary. This should not cause supervisory issues if done properly, as consistency of policies makes sense for a more centralised group.

Paragraph 59	It is not clear which policies are being referred to in this paragraph. It needs to make clear that group-wide supervisor is encouraged to assess only the consistency between group-wide policies and those legal entities it is responsible for.
Paragraph 60	In the last sentence, it is unclear what would be confirmed – suggest revising to: “If the deviation is not due to local challenges or requirements, involved supervisors should ask the group and the insurance legal entity to explain such deviations.”
Paragraph 62	<p>In relation to point (2) ‘group policies implement effective reporting lines between local entities and the head of the group’ – it should be recognized that the reporting lines may be detailed in other corporate records, e.g. governance maps. Therefore, rather than referring explicitly to group policies, (2) should be reworded to note: “the group implements and documents effective reporting lines....”.</p> <p>Further, a group supervisor may not have the expertise to understand the operations of such processes in each of the geographical entities based on local laws and regulations. The goal of this recommendation--that the group-wide supervisor should assess whether 1) local entities are involved in the processes described by the group policies and 2) group policies implement effective reporting lines between local entities and the head of the Group--would be better achieved at the Supervisory College level.</p>
Paragraph 63	<p>To the extent this section suggests that the group-wide supervisor should become involved in the appointment of a director to a legal entity board, or that involved supervisors should become involved in the appointment of a director to the head of the group board, we believe such an approach invites unnecessary and inappropriate intrusion by the supervisors into the internal management of the insurance group.</p> <p>The suggestion that the group supervisor should be involved in the appointment of a director to the legal entity Board goes too far. Such an appointment should be a matter for the legal entity's supervisor, <u>if</u> the supervisor has the legal authority to make such an appointment.</p> <p>The statement in the first bullet point, “if the head of the group nominates one of his Board members” shows gender bias and should be amended i.e. “nominates one of their Board members.</p> <p>We would request the following edits to refer to processes as well as policies:</p> <ul style="list-style-type: none"> ■ First bullet – “Group and insurance legal entities’ policies or processes should state the group’s role...” ■ Second bullet – last sentence – “Regardless, supervisors . . . are in compliance with suitability policies or processes, if applicable.”
Paragraph 65	Any practice regarding review of intra-group transactions needs to be considered with regard to its proportionality, particularly in light of other reporting mechanisms with respect to intra-group transactions.
Paragraph 66	The terms "common culture" and "group culture" should be clarified. Greater specificity should be attached to the culture that supervisors are trying to assess. As such, we believe

	<p>the word “risk” should be added wherever “culture” is referenced. The sentences would therefore read as follows: “Group-wide supervisors should assess whether the policies and process of the group foster a common risk culture.”</p> <p>Also, the following sentence: “For example, a risk management policy at the group level setting the risk appetite limit or a common compensation policy may help to create a group risk culture.”</p>
<p>Paragraph 67</p>	<p>The second sentence states that ‘Each policy should also describe who in the group (or insurance legal entity) is responsible for making sure it is actually implemented’. Delegated accountabilities may be recorded in another manner, i.e. not necessarily in group policies, so the point should not be that the group policies include this information, rather that accountability is clearly documented.</p> <p>The third sentence notes that the compliance function should be responsible for this, and there are a few other references to the compliance function having responsibilities towards policy implementation. Whether the compliance function should be responsible may depend on the definition of ‘compliance function’ in terms of whether it is an action of doing compliance or intended to be a discrete team of people. If the policy is one of regulatory nature this is a fair recommendation however many other policies are business-centric and are owned by the corresponding business units.</p> <p>Group policies may form part of a group’s enterprise risk framework or other business unit and the compliance function would not have the expertise to determine whether they are compliant with the specific regulations and rules and may be overseen by their group risk function rather than a compliance team. Therefore, we would suggest the references to the compliance function in this section be amended to “risk or compliance function”. Similarly, the last sentence refers to compliance functions verifying the insurance legal entities establish policies in accordance with local regulations and the group policies – this should be qualified to refer to relevant group policies, or the reference to group policies should be removed.</p> <p>As a general comment, the statements about the “compliance function” are too broad, since what constitutes a “compliance function’ may differ among groups. If the policy in question is regulatory in nature, then the statements about compliance may be fair. However, many policies are business-centric and observance of these policies become the responsibility of the corresponding business units.</p>
<p>Paragraph 68</p>	<p>To assess how the insurance group monitors compliance with its internal policies, supervisors at both the group level and the insurance legal entity level should coordinate periodic discussions of these policies with the head of the insurance group, in order to ascertain the functional areas that have responsibility for monitoring compliance with internal policies. These functional areas may include the internal audit function within the group.</p> <p>Based on the complexity of the group, suitable supervisory review procedures should be developed for the functional areas with responsibility for monitoring compliance with internal</p>

	<p>policies. Any review of, and discussion with, a functional area should be well coordinated to avoid inefficiencies and inconsistent conclusions.</p>
Paragraph 70	<p>A clearer definition of “independent” would be helpful.</p>
Paragraph 71	<p>We recommend, that in addition to documents, other sources of information such as interviews would be helpful.</p>
Paragraph 76	<p>It is not the role of the group-wide supervisor to determine the appropriateness of a group’s risk appetite limits. We, therefore, request that the 2nd sentence be deleted or modified accordingly.</p>
Paragraph 77	<p>Not all groups and insurance legal entities use risk dashboards to report and distinguish between group and local risks. In addition, the materiality of local risks should be considered. Therefore, the second and third sentences should be deleted, or in the alternative, modified accordingly (e.g., replace “risk dashboards” with “risk reporting structures”; replace “distinguish between group risks and local risks” with “distinguish between group risks and material local risks”.)</p>
Paragraph 80	<p>This paragraph encourages the group-wide supervisor to require access to internal audit reports for all the entities within the group; however, a group-wide supervisor cannot place requirements on entities over which it has no authority. Additionally, in most cases, we would expect the group-wide supervisor to defer to the local supervisor for the review of legal entity internal audit reports.</p> <p>For the reasons cited above for Paragraph 68, supervisors should not be able to review the internal audit reports of a group or insurance legal entities. We request that the 3rd and 4th sentences of this paragraph be deleted.</p> <p>As an alternative procedure, the group-wide supervisor could make inquiry about the scope of the group-wide internal audit function. This approach respects jurisdictional limitations and avoids any suggestion that the group-wide supervisor can issue blanket requests throughout the group.</p>
Paragraph 81	<p>This paragraph states that the group-wide supervisor should assess whether the risk management function establishes clear responsibilities for key personnel at all insurance legal entities. In most cases, we would expect the group-wide supervisor to defer to the local supervisor in this area. The group-wide supervisor would probably rely on the insurance legal entity supervisors for the assessments of the risk management functions of Key Personnel of such legal entities. We, therefore, request that the 1st sentence of this paragraph be modified accordingly.</p> <p>We support the notion of this Application Paper to allow for variety in approaches to group governance structure between the two extremes of more centralized and more decentralized. However, we would suggest to add:” In a more centralized model” to the second bullet, as this paragraph states an example that fits a more centralized model.</p>

Paragraph 84	The paragraph ends by saying the interrelationships and interdependencies between risks are of foremost importance, but it is unclear what this means. Additionally, most of this paragraph is repeated in paragraph 88 – the duplication needs to be deleted in one or the other.
Paragraph 87	<p>This paragraph stresses the importance of heat maps in assessing risk aggregation. Based on our experience, heat maps are used to graphically present a summary of overall risk exposures, as opposed to aggregating risks across entities. Tools used to aggregate risk exposures across various legal entities may include data aggregators, data models, copulas, correlation matrixes, etc.</p> <p>Not all groups use or regularly update heat maps, and failure to do so does not indicate that there is “substandard risk management”. We, therefore, request that the last sentence of this paragraph be deleted.</p>
Paragraph 88	We request that the term “interrelationships and interdependencies between risks” be clarified and/or further defined.
Paragraph 89	The first sentence should not refer to "the group policy on risk management" as this might not be included in the group policy. Instead, the reference should be to the documentation of risk management processes, as per similar suggestions above.
Paragraph 91	We support the notion of this Application Paper to allow for a variety in approaches to group governance structure between the two extremes of more centralized and more decentralized. However, we would suggest to add: “In a more centralized model” to the third sentence as this paragraph states an example that fits in a more centralized model.
Paragraph 92	The last sentence should read, “...the compliance risks and matters of the insurance legal entities under their purview.”
Paragraph 93	In the last sentence, the phrase ‘If an involved supervisor is uncomfortable with’ seems to be a very subjective test. “Alternative arrangements” should only apply when supervisory requirements are not (or potentially not) met rather than "when a supervisor is uncomfortable".
Paragraph 94	<p>In the first sentence, the phrase: “When the group does not put sufficient emphasis on compliance” seems to be a very subjective test. The stated “good practice” should only apply when the group is not (or potentially not) meeting compliance requirements.</p> <p>The requirement that the group-wide supervisor may have meetings with any other relevant compliance personnel at the group to discuss any relevant issues is not in the spirit of paragraph 1. It would constitute a new standard; is overly granular yet extremely vague in scope and undermines the relevance of the Chief Compliance Officer as a contact person.</p>
Paragraph 95	The third bullet requires group representation on entity based risk committees. This requirement seems excessive, and in particular does not take into account decentralized groups. Committee membership is not the only way that assurance can be gained that there

	is alignment of group wide risk management and compliance. The focus should be on firms being able to demonstrate how this is achieved rather than on a specific approach.
Paragraph 100	<p>In the first sentence, the combination of such functions may not necessarily be a question of legality. We suggest that the first part of the paragraph be replaced with: “In jurisdictions where the risk management and compliance functions may be combined, the supervisor should...”</p> <p>Additionally, based on our experience, independence between the internal audit function and the risk management is more important than independence from the compliance function. Therefore, we would encourage some discussion of the internal audit function in this paragraph. In a small company the control functions may be combined.</p>
Paragraph 101	This paragraph suggests that the number of staff and their role and expertise be considered by the regulator in assessing resources devoted to Control Functions. This is quite intrusive, and also not determinative in assessing the insurer's commitment to its Control Functions.
Paragraph 102	The second and last sentences should be deleted. These sentences give the supervisor too much authority with respect to the internal audit function. The statement that the internal audit control function should itself be subject to an external assessment may not be proportionate.
Paragraph 105	This paragraph is overly granular and effectively constitutes a new standard. For example, it provides that involved supervisors should obtain the reporting provided from insurance legal entity Control Functions to the group Control Function, as well as the insurance legal entity level Control Function reports to the local Board or Board committee.
Paragraph 106	<p>Having a group control function forum may be an example of a mechanism groups with a decentralized approach could use to help better coordinate, but the wording in the paragraph seems to suggest that this is the only mechanism and rather than just one potential mechanism. It gets very detailed on what the forum should do and how the supervisor should assess it. Instead of reading like an example of something a group may have in place to help with its group governance given its circumstances and structure, it comes across very prescriptive which seems contrary to the goal of this paper. The third sentence should be revised to exclude the reference to recovery plan. It is likely that the reference to recovery plan would be misunderstood to suggest it as a best practice or a commonly agreed view that any insurance group has recovery plan in place contrary to the fact that not every insurance group is required to have recovery plan in place.</p> <p>Even when the reference to recovery plan cannot be excluded, it should nevertheless at least be revised to reflect the limited scope of the requirement for recovery planning subject to the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions; the Key Attributes defines the scope as “all G-SIFIs and for any other firm that its home authority assesses could have an impact on financial stability in the event of its failure”(KA 11.2).</p>

	<p>We agree that there may be merit for decentralized groups having a group Control Function forum to share best practices within the group on a range of operational, strategic and emerging topics. However, we do not agree that such a forum should be at the forefront of the design and development of recovery plans for the group, or assess the effectiveness of such plans. Recovery planning is likely to be a centralized group discipline given its forward-looking focus, which will necessarily differ from the sharing of best practices in an operational context.</p> <p>It should be a matter for the insurance group to determine the nature and remit of any internal arrangements it adopts. The supervisor’s role should be to assess their adequacy and not prescribe what they should be. In some jurisdictions, not all groups are required by their supervisors to develop recovery plans. We, therefore, request that the 3rd sentence of this paragraph be modified accordingly (e.g., add “if required” after “recovery plans of the insurance group”).</p> <p>In total, this paragraph provides another example of a new standard that is extremely granular, burdensome and unproductive.</p>
<p>Paragraph 110</p>	<p>Some of the wording used in the second sentence is unclear – “statutory information submission/lodgment” is not terminology used in other IAIS material. Suggest simply saying, “...as part of regular supervisory reporting requirements.” The third sentence should be deleted – supervisory requirements can make such stipulations, but it is not the role of the supervisor or the IAIS to tell insurers what their internal policies should stipulate.</p>
<p>Paragraph 111</p>	<p>It may not be effective or efficient for the supervisor to conduct “visits on any third party to whom the insurer outsources any material activities and/or functions.” Instead, we would encourage supervisors to assess and rely on the oversight and internal control processes of the insurer in monitoring outsourcing arrangements as long as they are found to be operating effectively.</p> <p>This paragraph suggests prudential standards highlight activities and functions requiring supervisory pre-approval before being outsourced. This goes beyond ICP 8.8.4, which says the supervisor should require an outsourcing policy, and should consider issuing additional requirements for outsourcing, or dedicating more supervisory attention, but does not require supervisory pre-approval of outsourcing arrangements.</p> <p>The recommendation to dedicate more supervisory attention to outsourced control functions than control functions that do not rely on outsourcing should be reconsidered.</p> <p>Where permitted by local requirements, groups may decide to outsource control functions for a variety of reasons and will still be required to comply with standard regulatory requirements on outsourcing. These generally aim to maintain the ultimate responsibility with the outsourcer. The wording “rely on outsourcing”, however, seems to imply that the group is able and intending to transfer all responsibility and would therefore create risk that required additional supervisory attention.</p>

	<p>Instead, GFIA would encourage supervisors to assess and rely on the oversight and internal control processes of the insurer in monitoring outsourcing arrangements. It is not the role of supervisors to determine which activities or functions of the group and insurance legal entities require prior approval before being outsourced. We, therefore, request that this paragraph be modified accordingly.</p>
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