

This is one in a series of occasional updates on Corporate Governance for the insurance industry.

Note that all links to materials referenced here and related resources appear at the end.

## US Corporate Governance Annual Disclosure – NAIC Model Law and Regulation – 27 States and Counting

**June 1, 2019.** That is the 2019 filing due date for insurers domiciled in one of the 27 US jurisdictions that have adopted a Corporate Governance Annual Disclosure (CGAD) filing requirement. If your company is domiciled in a state that has already adopted a CGAD requirement, now is the time to review your state's requirements and begin preparing your 2019 filing. Note that the National Association of Insurance Commissioners (NAIC) model law requires the filing to include a CEO or Secretary certification that the company's Board (or Board Committee) has seen the filing and has implemented the practices described.

By 2020, having an annual governance disclosure requirement will be an NAIC accreditation standard for US regulators. As of April 10, 2019, the NAIC reports that some 27 states have adopted some version of the NAIC Model Law on CGADs. But, only 20 states have adopted the related NAIC model regulation. Notably, some of the larger states, such as New York, have not yet adopted CGAD rules. See the NAIC website for a map of the status of each jurisdiction.

## International Association of Insurance Supervisors (IAIS)

On February 27, 2019, the IAIS Executive Committee adopted its Application Paper on Proactive Corporate Governance. On March 7, 2019, the IAIS held a conference call to review its responses to 2018 stakeholder comments on the draft Application Paper. The comments included several repeated observations, including (1) that one size does not fit all in corporate governance; (2) that different companies must be allowed to manage their own governance and oversight responsibilities as is appropriate for their organizations; and (3) the importance of regulators not substituting their judgment for the judgment of a company's Board and senior leadership.

The IAIS Application Paper on Proactive Corporate Governance is now final. The IAIS does not anticipate any changes in the near future. The IAIS considers its Application papers to be guidance to its member regulators, not requirements. Some of the recommendations for regulator focus will be familiar to companies already experiencing governance reviews from US regulators, such as:

- Having an adequate whistleblowing process
- Board and executive leadership "who do not possess the necessary suitability"
- Board and executive leadership who are insufficiently aware of the organization's strategy and risks

## California Governance Requirements

By the end of 2019, publicly held California domestic companies and other public companies with headquarters in California must begin to meet minimum Board of Directors gender diversity requirements. Impacted companies must have at least one female director by the end of 2019. Companies with five or more directors must meet additional requirements by the end of 2021. Although litigation challenging the requirements is expected, none is currently pending.

## NAIC and IAIS Governance

The NAIC and the IAIS continue to build a working relationship. As of March 2019, five NAIC leaders now serve on the Executive Committee of the IAIS:

- **Julie McPeak** – Tennessee Commissioner, IAIS Executive Committee Vice Chair
- **David Altmaier** – Florida Commissioner
- **Gary Anderson** – Massachusetts Commissioner
- **Raymond Farmer** – South Carolina Commissioner
- **Michael Consedine** – NAIC CEO

In addition, **Steven Seitz**, from the Federal Insurance Office in the US Treasury Department, and **Thomas Sullivan**, Associate Director of the Board of Governors of the Federal Reserve System, are members of the IAIS Executive Committee.

## Additional Resources

- [NAIC December 2018 Statement re Corporate Governance Annual Disclosure and adoption of CGAD requirements as of December 2018](#)
- [January 2019 NAIC Statement regarding Corporate Governance](#)
- [NAIC CGAD Model Act \(# 305\)](#)
- [NAIC CGAD Model Regulation \(# 306\)](#)
- [NAIC Maps of Jurisdictions Adopting Model CGAD Act and Regulations Maps 2 and 3 of SMI Dashboard](#)
- [IAIS Application Paper on Proactive Supervision of Corporate Governance](#)
- [IAIS March 7, 2019 Slides for Public Discussion Session re IAIS Application Paper on Proactive Supervision of Corporate Governance](#)
- [IAIS Compilation of Comments on Application Paper on Proactive Corporate Governance](#)
- [California SB 826](#)
- [Squire Patton Boggs December 2018 Client Alert Summarizing CGAD Filing Requirements](#)

## Contact

For more information about these or other governance topics, please contact the lawyer listed here.

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