

IAIS Consultation

Print view of your comments on "Draft Issues Paper on Insurer Culture" - Date: 23.08.2021, Time: 14:19

Organisation	International Actuarial Association
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Treat my comments as confidential	No

Question	
Answer	<p>Q1 General comment on the draft Issues Paper</p> <p>The IAA believes this Issues Paper is a very useful addition to supervisory guidance and addresses a topic (i.e., culture) which is important in determining whether an insurer executes sound decision-making. This has important implications for policyholder protection and their fair treatment (i.e., both prudential and conduct risks). The IAA agrees that poor corporate culture can be difficult to detect based solely on normal supervisory filings and likely requires additional qualitative supervisory review of board, senior management and control function behavior and decision-making.</p>
Answer	<p>Q2 General comments on Section 1: Introduction</p> <input type="text"/>
Answer	<p>Q3 Comment on paragraph 1</p> <input type="text"/>
Answer	<p>Q4 Comment on paragraph 2</p> <input type="text"/>
Answer	<p>Q5 Comment on paragraph 3</p> <input type="text"/>
Answer	<p>Q6 Comment on paragraph 4</p> <input type="text"/>
Answer	<p>Q7 Comment on paragraph 5</p> <input type="text"/>
Answer	<p>Q8 Comment on paragraph 6</p> <input type="text"/>

Q9 Comment on paragraph 7

Answer

Q10 Comment on paragraph 8

Answer

The IAA believes the last sentence of this paragraph could be understood to imply the presence of widespread misconduct in the industry. It also seems to infer that the end result of poor culture is misconduct. The IAA suggests that misconduct is not widespread in the industry nor is it a natural result of poor culture. The IAA believes it is more appropriate to state that poor culture more frequently results in poor decision-making.

Q11 Comment on paragraph 9

Answer

Q12 Comment on paragraph 10

Answer

The ICP 8.4 reference is a good one, but risk management is only one of the important control functions named in ICP 8. The paper should speak explicitly of the importance of appropriate culture in each of the control functions. These functions play crucial roles in the presence of inappropriate culture elsewhere in the entity. Signs that the control functions tilt their decisions due to inappropriate culture either within the function or elsewhere in the entity should be of concern to supervisors.

Q13 Comment on paragraph 11

Answer

Q14 Comment on paragraph 12

Answer

Q15 Comment on paragraph 13

Answer

The IAA believes the examples provided next to this paragraph are very useful. For example, the G-30 wording "fail at one or more critical points such as middle management" is a useful reminder of the need for supervisors to consider the culture of all insurer control functions not just at the board or senior management level. An example of the influence of poor culture on the actuarial function (from within or without) is that it can result in the discarding of warning signals that do not fit with the pattern accepted or desired. As a result, actuarial function decision-making could be influenced towards certain methods/assumptions and become resistive to alternate approaches used in better/best practice. The resulting shift in the value of policy liabilities could potentially affect insurer solvency and/or fair treatment of policyholders. The IAA also believes the DNB "iceberg" metaphor is a most useful one for supervisors in illustrating the challenges in identifying the presence of poor culture. The IAA would be willing to provide support to the IAIS in identifying possible techniques for assessing culture within the actuarial function.

Q16 Comment on paragraph 14

Answer

Q17 Comment on paragraph 15

Answer

Q18 Comment on paragraph 16

Answer

	Q19 Comment on paragraph 17
Answer	<input type="text"/>
	Q20 Comment on paragraph 18
Answer	<input type="text"/>
	Q21 Comment on paragraph 19
Answer	The IAA suggests the document mention within this paragraph that a culture of openness and debate must be promoted not only within the Board, but also across the organization, in addition to the reference mentioned in paragraph 22.
	Q22 Comment on paragraph 20
Answer	<input type="text"/>
	Q23 Comment on paragraph 21
Answer	<input type="text"/>
	Q24 Comment on paragraph 22
Answer	<input type="text"/>
	Q25 Comment on paragraph 23
Answer	<input type="text"/>
	Q26 Comment on paragraph 24
Answer	<input type="text"/>
	Q27 Comment on paragraph 25
Answer	<input type="text"/>
	Q28 Comment on paragraph 26
Answer	In Figure 1, it might be helpful to include a box relating to "actions and behaviors" between the "culture" and the "risks" below it.
	Q29 General comments on Section 2: The relationship between insurer culture, the management of prudential and conduct risks and the mitigation of misconduct
Answer	<input type="text"/>
	Q30 Comment on paragraph 27
Answer	<input type="text"/>
	Q31 Comment on paragraph 28
Answer	<input type="text"/>
	Q32 Comment on paragraph 29
Answer	<input type="text"/>

Q33 Comment on paragraph 30

Answer

Q34 Comment on paragraph 31

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Q35 Comment on paragraph 32

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Q36 Comment on paragraph 33

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Q37 Comment on paragraph 34

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Q38 Comment on paragraph 35

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Q39 Comment on paragraph 36

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Q40 Comment on paragraph 37

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Q41 Comment on paragraph 38

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Q42 Comment on paragraph 39

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Q43 Comment on paragraph 40

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Q44 Comment on paragraph 41

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Q45 Comment on paragraph 42

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Q46 Comment on paragraph 43

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Q47 Comment on paragraph 44

Answer

Q48 General comments on section 3: Illustrations of how cultural drivers can influence certain prudential and conduct outcomes within an insurer

Answer

The IAA notes in Section 3.4 a tendency to focus on sales-related incentives as a potential driver of conduct issues. It may be helpful to also note how claims-related incentives or policies may equally lead to conduct issues in the area of fair treatment of policyholders such denial of legitimate claims.

Q49 Comment on paragraph 45

Answer

Q50 Comment on paragraph 46

Answer

The IAA agrees with the responsibilities of the Board noted in this paragraph. However, it is through the CEO that these responsibilities are carried out, as the Board is not present in the day to day running of the company. Perhaps instead of simply referencing "employees" at the conclusion, it should say "all employees from top management down."

Q51 Comment on paragraph 47

Answer

Q52 Comment on paragraph 48

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Q53 Comment on paragraph 49

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Q54 Comment on paragraph 50

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Q55 Comment on paragraph 51

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Q56 Comment on paragraph 52

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Q57 Comment on paragraph 53

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Q58 Comment on paragraph 54

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Q59 Comment on paragraph 55

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Q60 Comment on paragraph 56

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Q61 Comment on paragraph 57

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Q62 Comment on paragraph 58

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Q63 Comment on paragraph 59

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Q64 Comment on paragraph 60

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Q65 Comment on paragraph 61

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Q66 Comment on paragraph 62

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Q67 Comment on paragraph 63

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Q68 Comment on paragraph 64

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Q69 Comment on paragraph 65

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Q70 Comment on paragraph 66

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Q71 Comment on paragraph 67

Answer

The IAA suggests enhancing this paragraph's reference to communication through the company by adding the promotion and spread of best practices, as these are described in the following paragraphs.

Q72 Comment on paragraph 68

Answer

Q73 Comment on paragraph 69

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Q74 Comment on paragraph 70

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Q75 Comment on paragraph 71

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Q76 Comment on paragraph 72

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Q77 Comment on paragraph 73

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Q78 Comment on paragraph 74

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Q79 Comment on paragraph 75

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Q80 Comment on paragraph 76

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Q81 Comment on paragraph 77

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Q82 Comment on paragraph 78

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Q83 Comment on paragraph 79

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Q84 Comment on paragraph 80

Answer

Q85 Comment on paragraph 81

Answer

Q86 Comment on paragraph 82

Answer

Q87 Comment on paragraph 83

Answer

Q88 Comment on paragraph 84

Answer

Q89 General comments on Section 4: Conclusion

Answer

Q90 Comment on paragraph 85

Answer

Q91 Comment on paragraph 86

Answer

Q92 Comment on paragraph 87

Answer

Overall, this is a well-written and soundly argued paper, and a useful starting point in looking at increased emphasis on corporate culture from the supervisory perspective. As noted, the practical implications for supervisors will need further work. The IAA notes that the examples cited as "cultural drivers" seem more like effects of culture, rather than drivers of it.

Q93 Comment on paragraph 88

Answer