

Karel's Club 2016  
Executive Insurance Forum



# Good Governance: Myth Or Reality?

March 8–9, 2016  
Frankfurt, Germany



# About Karel's Club

## Trilogue between Insurance Executives, Regulators and Academia

➤ About International Center for Insurance Regulation (ICIR)

➤ About Goethe Business School (GBS)



Karel's Club seeks to provide space for Executives, who are concerned about the future and want to prepare themselves for the challenges ahead through active discussion, sharing experience with colleagues and regulators in a neutral university environment. It offers the possibility to discuss new developments in insurance regulation as well as new trends in insurance in an informal setting, between senior management from the insurance industry, stimulated by reflections from academia and from representatives of the regulatory community.

The objective is to enable thought provoking discussions on matters of concern to the participants under Chatham rules. The discussions should help to shape strategic thinking about the likely way in which insurance will develop in the coming years as well as on how regulation might influence this development. Proper attention will be paid to the European and international regulatory agenda.

The forum discusses one or more insurance issues, providing a better understanding of the interaction between these issues and insurance regulation. The meetings organised by the Club are meant to be both informative and directly relevant for the participants. Participants are expected to engage themselves in the debate.

Karel's Club is based on the cooperation of the two House of Finance institutions of Goethe University: The International Center for Insurance Regulation (ICIR) and Goethe Business School (GBS).

The modern Campus Westend of Goethe University in Frankfurt, where ICIR and the House of Finance is located, provides a uniquely rich and productive environment, an atmosphere of complete intellectual freedom.

### Target Group

This forum is addressed to senior management from the insurance industry, i.e. board members, chief risk officers, chief financial officers, actuaries, accountants, regulators, supervisors and policymakers.

### Chair

Karel's Club is chaired by Prof. Karel van Hulle, Professor at the KU Leuven and at the Goethe University in Frankfurt, former Head of Insurance and Pensions at the European Commission and Executive Board Member of (ICIR).







# Introduction

## Good Governance: Myth Or Reality?

### March 8–9, 2016

Solvency II follows the three pillar approach introduced by Basel II, whereby the first pillar deals with quantitative issues, such as the capital requirements and the valuation rules, the second pillar with qualitative issues, such as governance and supervisory action and the third pillar contains the requirements concerning public disclosure and supervisory reporting.

Much attention has been and is still being paid to the first pillar of Solvency II, which determines the level of solvency capital which insurers need to hold in order to match the risks to which they are exposed. Experience has however shown that when insurance undertakings fail, it is often not so much because of a lack of capital but because of bad management and a deficient governance.

The Solvency II Framework Directive recognises this and attaches much importance to governance. In accordance with the Directive, all insurance and reinsurance undertakings must have in place “an effective system of governance which provides for sound and prudent management of the business. The system must 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”.

As Solvency II applies to about 4000 insurance and reinsurance undertakings, most of which are small or medium-sized, it is of utmost importance that the governance requirements respect the great variety of legal structures and the size of the undertakings concerned. The Directive therefore states that “the governance system must be proportionate to the nature, scale and complexity of the operations of the insurance or reinsurance undertaking”.

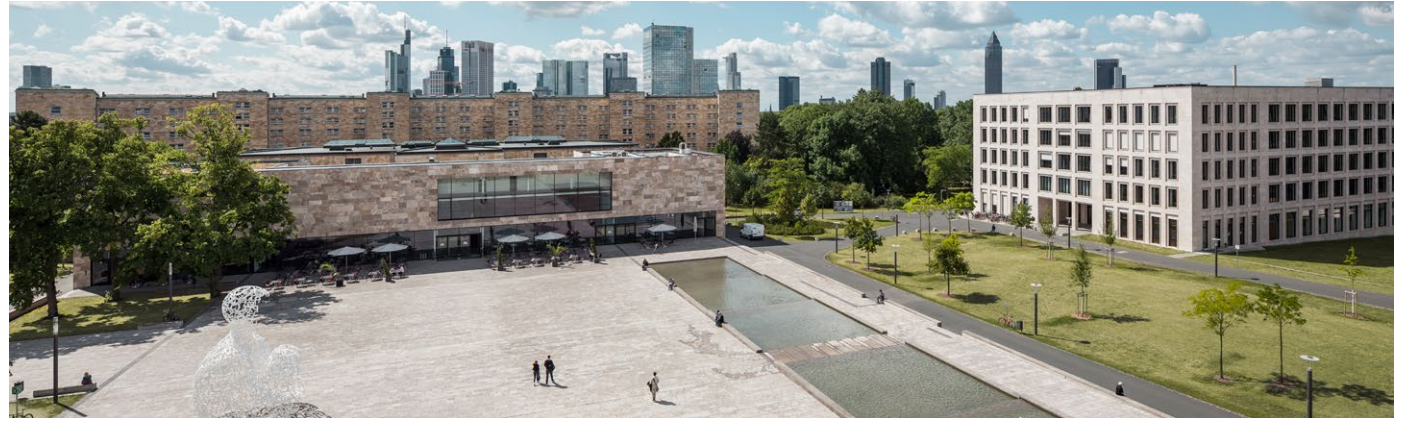
### Good governance should be part of the DNA of any insurer

Four key governance functions are introduced under Solvency II: the risk management function, the internal control function, the internal audit function and the actuarial function. The persons in charge of these functions must be fit and proper. In smaller and less complex undertakings it is possible for more than one function to be carried out by a single person or organisational unit. It is however understood that the internal audit function must in principle always be a separate function.

A number of provisions in the Solvency II Framework Directive deal specifically with the system of governance (Articles 40 to 49, Article 132 and Article 246). These provisions are further clarified in the Commission Delegated Regulation (Articles 258 to 275). Further details are provided in the EIOPA Guidelines on the system of governance.

An important change following from Solvency II is that insurance and reinsurance undertakings are now required to move from a system of implicit governance to a system of explicit governance, i.e. undertakings will now have to develop written policies in relation to governance, which must be reviewed at least annually and which are subject to prior approval by the Board. The policies must be adapted in view of any significant change in the system or area concerned.

From their side, supervisory authorities must have appropriate means, methods and powers for verifying the system of governance. They must also have the powers to require an improvement and strengthening of the system of governance to ensure compliance with the governance requirements. ▶

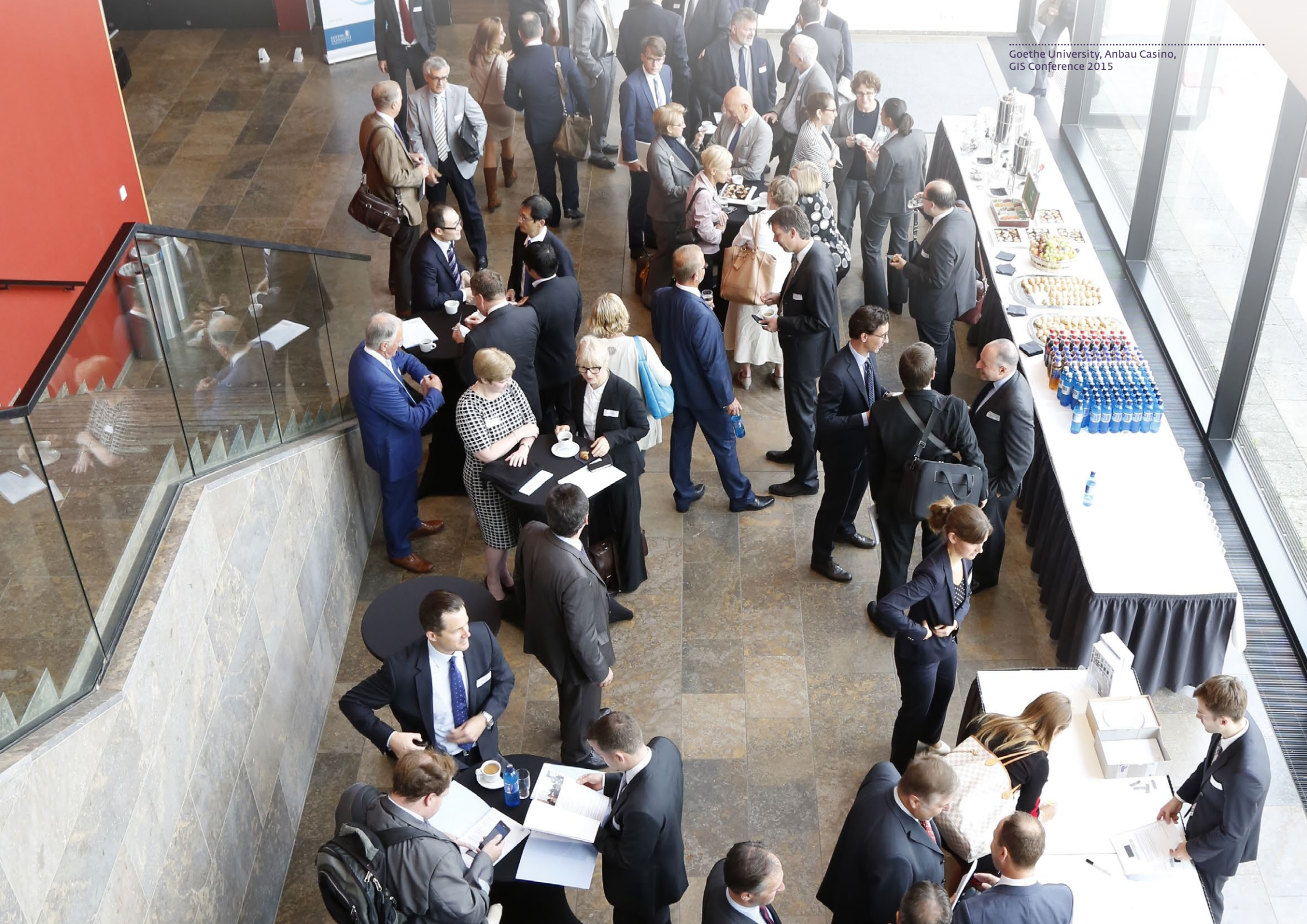


The fifth meeting of the Karel's Club will look at governance from different angles, benefiting from the input of a number of key experts in the field. We will discuss governance in general but will also deal with each of the key governance functions and their interrelationship. The discussion will focus on issues such as:

- ♦ Is it helpful for the law to set governance requirements?
- ♦ How detailed should governance rules be? Should we not first learn from best practice before issuing detailed rules?
- ♦ How to ensure that the persons occupying key governance functions are fit and proper?
- ♦ How can we avoid a one-size fits all approach to governance?
- ♦ What are the practical implications of the new governance requirements for the structure of the board?
- ♦ To what extent should the key governance functions be independent from each other?
- ♦ What is the meaning of the internal audit function when it is (exceptionally) combined with other governance functions?
- ♦ How do the governance rules under Solvency II relate to the general rules on corporate governance which can be found, for instance, in corporate governance codes?
- ♦ How are the governance requirements applied in practice? Are there any lessons to be learned from the application of the preparatory guidelines on governance?
- ♦ How helpful are the new governance requirements for supervisors? Are supervisors likely to change their behaviour towards the supervised entities as a result of the new governance requirements?
- ♦ Is there a risk that supervisors and/or insurance and reinsurance undertakings will treat the new governance requirements as a tick the box exercise?
- ♦ Are there many examples in practice of cases where supervisors have accepted an adaptation of the governance requirements to the nature, scale and complexity of the insurance or reinsurance undertaking?
- ♦ What is the interplay between the governance requirements at solo level and the governance requirements at group level?
- ♦ Are the governance requirements on board diversity introduced in the banking sector also applied in practice in insurance or reinsurance undertakings?
- ♦ Are there any examples of "gold plating", i.e. of cases whereby national laws implementing Solvency II have added further governance requirements to those following directly from Solvency II?

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Campus Westend, Goethe University







# Leading Questions

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### Regulatory Challenges

- How far should Member States go in the implementation of the new governance requirements in the Solvency II Framework Directive? Should they just copy the principles or rewrite the principles taking into account the national legal environment? What should happen in the case of divergences?
- How should the actuarial function be combined with the function of the “responsible/appointed actuary”?
- How flexible should governance requirements be?
- How far should the harmonisation of governance rules go at EU level? Is there a need to develop uniform governance rules?
- How should the proportionality principle be applied in practice? Is it possible to combine all key governance functions under one person or organisational unit?
- Are there any governance requirements introduced for banks that can usefully be extended to insurance undertakings?

### Strategic Questions

- Is it possible to make the CFO responsible also for the risk management function and the actuarial function?
- Should the CRO be a member of the Board?
- Are all key governance functions control functions?
- Should the actuarial function be made independent from the risk management function?
- How should the reporting lines within the undertaking be organised in relation with the four key governance functions?
- What action can the Board take to ensure that its members are fit and proper?
- Which of the four key governance functions should report directly to the CEO?
- Should the person in charge of the internal control function be a person with a legal education?
- Should supervisors entertain a continuous dialogue with each of the persons in charge of a key governance function?

### Possible Solutions

- Learn from best practice and avoid overly detailed governance rules
- Establish clear reporting lines and ensure that each holder of a key governance function can express an independent opinion
- Give preference to substance over form in the application of the governance requirements
- Ensure that supervisors have a regular dialogue with more than one holder of a key governance function (in addition to the CEO)
- Avoid unnecessary interference in the life of companies, for instance by requiring pre-notification to the supervisory authority of appointments of key office holders and Board members
- Allow for creativity in the practical organisation of the governance requirements
- Ensure that the actuarial function is more than just a contribution to the risk management function

# Program

## Good Governance: Myth Or Reality?

### March 8–9, 2016

- Brochure and Program
- Online Registration Form

#### Tuesday, March 8, 2016

Goethe University Guest Villa,  
Frauenlobstrasse 1, 60323 Frankfurt

18.00 – 18.15

##### Executive Insurance Forum Opening

Prof. Karel Van Hulle, ICIR,  
Goethe University Frankfurt

18.15 – 18.45

##### Governance rules in a changing environment

Dr. Monica Maechler, Member of the Supervisory Board of Deutsche Börse AG (Frankfurt) and of the Board of Directors of Zurich Insurance Group Ltd (Zurich)

18.45 – 19.15

##### How does a CEO cope with the increasing complexity of governance rules?

Bart De Smet, CEO of Ageas NV (Brussels)

19.15 – 19.45

##### Compliance: Is it only about controls?

Gabe Shawn Varges, Senior Partner,  
HCM International AG (Zurich)

19.45 – 20.15

##### How to supervise the new Solvency II governance rules?

Alberto Corinti, Member of the Board of Directors of IVASS (Rome)

20.15 – 21.00

##### Debate and Discussion

21.00

##### Dinner

##### FORUM FEE

##### First time attendance:

2.850 Euro (incl. VAT)

##### Returning participants:

2.000 Euro (incl. VAT)

The forum fee includes the attendance, refreshments and meals on site.

##### REGISTRATION

Please register online by using the following link:

➤ Online Registration Form

#### Wednesday, March 9, 2016

Goethe University Guest Villa,  
Frauenlobstrasse 1, 60323 Frankfurt

09.00 – 9.15

##### Introduction

Prof. Karel Van Hulle, ICIR,  
Goethe University Frankfurt

09.15 – 09.45

##### Why do supervisors attach so much importance to governance?

Gabriel Bernardino, Chairman EIOPA  
(Frankfurt)

09.45 – 10.15

##### Solvency II and Corporate Governance

Prof. Michele Siri, Università di Genova  
(Genoa)

10.15 – 10.45

##### The role of the CRO in risk management

Raj Singh, Group Chief Risk Officer,  
Standard Life plc (Edinburgh)

10.45 – 11.15

##### The actuarial function: A function in its own right?

David Hare, Partner, Actuarial and Reward Analytics, Deloitte MCS Ltd (Edinburgh)

11.15 – 12.00

##### Debate and Discussion

12.00 – 12.30

##### What is so special about internal audit and how can it contribute to better governance?

Hans Joachim Büsselberg, Chair of the Insurance Committee of ECIIA (Brussels)

12.30 – 13.00

##### Is governance just a question of rules?

Romain Paserot, Directeur des Affaires internationales, ACPR (Paris)

13.00 – 14.00

##### Debate and Discussion

14.00

##### Lunch

15.00

##### End of Forum



# Forum Fee Registration Organisational Information

➤ [Online Registration Form](#)



## Venue

Goethe University  
Guest House  
Frauenlobstrasse 1  
60323 Frankfurt am Main  
Germany

## Forum Fee

First time attendance:  
2.850 Euro (incl. VAT)

Returning participants:  
2.000 Euro (incl. VAT)

The forum fee includes the attendance,  
refreshments and meals on site.

## Registration

Please register online by using the  
following link:

➤ [Online Registration Form](#)

Registration, payment and organisa-  
tion of Karel's Club will be handled  
by Goethe Business School.

## Contact

Goethe Business School  
Ms. Anca Becheanu  
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T: +49-(0)69-798 336 81

Goethe University  
Campus Westend  
House of Finance  
Theodor-W.-Adorno-Platz 3  
60629 Frankfurt am Main  
Germany

## Accommodation

A block reservation under the  
reference of "Karel's Club" has been  
made for you at the Mövenpick Hotel  
Frankfurt City. It is only available  
until February 15<sup>th</sup>. In order to make  
the reservation binding with the  
hotel you are kindly asked to recon-  
firm the hotel's written reservation.

Please note, that participants are  
individually responsible for the  
reservation and payment of their  
hotel rooms as well as of any  
additional expenses.

The room rates include breakfast  
and taxes:

Classic Room (single): 145 Euro  
Superior Room: 195 Euro

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