

The LIAJ comments on the IAIS Draft Issues Paper on Insurer Culture

Paragraph	Comment
General Comments	<ul style="list-style-type: none"> • The Life Insurance Association of Japan (hereafter “LIAJ”) appreciates the opportunity to submit public comments to the International Association of Insurance Supervisors (or the “IAIS”) regarding the Draft Issues Paper on Insurer Culture. • In general, we agree that it is important for consumers to be placed at the centre of the business model and that corporate culture is an important point which can influence the behaviour of insurers. • However, we would like to clarify that corporate culture is unique to each jurisdiction and company, and as the IAIS states in Paragraph 6, there is no single "right" or "good" culture for insurers, and it should not be quantified or categorized based on inherent tendency. • Based on this understanding, we would also like to confirm that the IAIS does not intend to develop uniform supervisory indicators or establish standardized regulations on corporate culture in the Issues Paper and in future phases, both quantitatively and qualitatively. In addition, as the IAIS states in Paragraph 12, corporate culture includes things that are located at a subliminal level (i.e., behavioural patterns which cannot be verbalized and unconscious values), which are difficult to evaluate and analyse. Therefore, we would like to recommend the IAIS to focus on the behaviours and outcomes of insurers that may be influenced by their corporate culture, and adopt an evidence-based supervisory approach by closely examining the relationship with their corporate culture when problematic behaviours or outcomes are observed.
Paragraph 13	<ul style="list-style-type: none"> • The second sentence of Paragraph 13 mentions office lay-out, dress code and style of communication as possible indicators of the organisation’s transparency and credibility, but these organizational characteristics and styles may vary widely among different companies. We propose that this sentence be deleted since considering an overly detailed examination of

	<p>such organizational characteristics and styles is inappropriate because it may encourage a single form of evaluation that determines the "right" or "good" culture.</p>
<p>Paragraph 48</p>	<ul style="list-style-type: none"> • As the IAIS states in the first sentence of Paragraph 48, we agree that it is not the role of supervisors to define a specific set of values for insurers. Each company focuses on different values, and values are also influenced by the company's lines of business and the nature of its customers. Different cultures that emphasize such values lead to better outcomes and fair treatment for customers. Therefore, a uniform approach to corporate culture is not appropriate in today's insurance industry, where business models are becoming more diverse.
<p>Paragraph 66</p>	<ul style="list-style-type: none"> • Regarding the UK Senior Managers and Certification Regime, it is introduced as a good example of a Senior Managers Regime that describes the need for senior management performing key functional roles to seek the PRA's and/or FCA's approval before starting their roles. We would like to confirm that this is only an example, and that the legal systems and business practices of each jurisdiction should be taken into account in similar cases, and that there is no intention to require similar measures described in this example for a wide range of jurisdictions.
<p>Paragraph 71-84</p>	<ul style="list-style-type: none"> • Insurers in Japan have a well-balanced remuneration and performance management system that emphasizes not only short-term performance but also long-term profitability and stability, placing importance on matters such as the quality of customer service and satisfaction from a customer-oriented business operation perspective. Therefore, problems arising from this remuneration and performance management system are considered to be limited. • While we agree with the issue of performance management encouraging unfair treatment of customers and the inappropriateness of remuneration systems, we are concerned about the possibility of developing uniform regulations for remuneration and performance management systems based on a few specific misconduct cases that would inhibit each jurisdiction's market culture and practices, as well as the company's voluntary efforts. In order to address this concern, we would like to request the IAIS to add a new paragraph after Paragraph 84, which states that "it is the role of insurers themselves to define and implement specific approaches

	to remuneration and performance management, taking into account the intent of ICPs and considerations raised in the previous paragraphs”.
Paragraph 87	<ul style="list-style-type: none">• The corporate culture of insurers is influenced by the market culture of each jurisdiction (sales channels, investment markets, etc.), the expectations of supervisors and consumer confidence, and there is no firm rule of thumb that a specific culture will always produce positive outcomes for consumers.• In light of this, we consider that the IAIS should give careful consideration in the development of supervisory guidance. Specifically, we are concerned about the possibility of developing uniform indicators and standardized regulatory settings for corporate culture in the development of supervisory guidance. In order to address this concern, we would like to ask the IAIS to add a new paragraph after Paragraph 87, which states that "it is the role of insurers themselves to define and implement specific approaches to remuneration and conflicts of interest management, taking into account the intent of ICPs and considerations raised in the previous paragraphs”.