

CORPORATE GOVERNANCE ANNUAL DISCLOSURE

**Filed with the
KENTUCKY DEPARTMENT OF INSURANCE**

By:

(Insert Company Name)

(Insert Company Address)

(Insert Date)

Individual to whom notices and correspondence concerning this Statement should be addressed:

(Insert Name)

(Insert Title)

(Insert Company Name)

(Insert Address)

(Insert Telephone Number)

(Insert Fax Number)

(Insert Email Address)

A. Introduction & Instructions

This confidential Corporate Governance Annual Disclosure Statement (the “Statement”) is filed by *(Insert Company Name)* to set out information with respect to the Company’s corporate governance framework, policies, practices and related matters, as required by KRS 304.3-235 and 806 KAR 3:240.

Pursuant to KRS 304.3-235(9), the documents, materials and other information related to this Statement, and including this Statement, are proprietary and contain trade secrets; are confidential and privileged; are not subject to subpoena; and are not subject to discovery or admissible in evidence in a private civil action.

If information requested in the document is included within other documents previously filed (e.g., ORSA Summary Report) with the Department, please cite to the exact location within the document of the explanation to be incorporated and attach the document to the Exhibit list. Documents attached to this Statement, which were not previously covered by any privilege or confidentiality provision do not gain any such confidentiality by virtue of their attachment to this Statement.

The company shall be as descriptive as possible in completing the statement. Each section includes specific topics for consideration in each response. The company may provide more information if necessary to sufficiently disclose the relevant corporate governance procedures. If the company requires additional space to answer the questions provided, the company can attach separately drafted documents that clearly identify the questions and their related answers.

The Statement must be filed annually by June 1st. If changes are made from previous versions, the company shall identify clearly all changes in the filing.

1. Level of Disclosure

Pursuant to 806 KAR 3:240 (3)(a) disclosures in this Statement are made with respect to *(Insert Company Name)* at the *(Insert here the level that the Corporate Governance Annual Disclosure is at. Choose from the 3 options below):*

- 1) The ultimate controlling parent level;
- 2) An intermediate holding company level; or
- 3) The individual legal entity level.

Pursuant to KRS 304.3-235(6) and 806 KAR 3:240 the level of disclosure above was determined at *(Insert here which of the 3 criteria was used to determine the level of disclosure and explain any change in the level of disclosure that was subsequently used. Choose from the 3 options below):*

- 1) The level at which the insurer’s or insurance group’s risk tolerance is determined;
- 2) The level at which the insurer’s or the insurance group’s earnings, capital, liquidity, operations, and reputation are collectively overseen and supervised; or
- 3) The level at which legal liability for failure of general corporate governance would be placed.

B. Corporate Governance Framework (806 KAR 3:240(3)(2))

1. Company Oversight and Board Structure

- a. For Consideration:
 - i. What are the level(s) at which oversight occurs (e.g., ultimate control level, intermediate holding company, legal entity, etc)?
 - ii. Describe the purpose for the current Board size and structure.
- b. Please respond here and supplement as necessary:

2. Duties of the Board and its Committees

- a. For Consideration:
 - i. What are the duties of the Board of Directors and each significant committee?
 - ii. How is the Board governed (e.g., bylaws, charters, informal mandates, etc)?
 - iii. How is the Board's leadership structured?
 - iv. What is the role of the Chief Executive Officer and Chairman of the Board within the organization?
- b. Please respond here and supplement as necessary:

C. Board Policies and Practices (806 KAR 3:240(3)(3))

1. Board Qualifications, Experience and Expertise

- a. For Consideration:
 - i. How do the qualifications, expertise, and experience of each Board member meet the needs of the insurer?
- b. Please respond here and supplement as necessary:

2. Board Independence

- a. For Consideration:
 - i. How is the appropriate amount of independence maintained on the Board and its significant committees?
- b. Please respond here and supplement as necessary:

3. Meetings and Director Attendance

- a. For Consideration:
 - i. How many Board meetings have been held in the last year and what is each Board members attendance record?
- b. Please respond here and supplement as necessary:

4. Nomination and Election Process for the Board and its Committees

- a. For Consideration:
 - i. How does the insurer identify, nominate and elect members to the Board and its committees?
 - ii. Is a nominating committee used?

- iii. Are there term limits on directors?
- iv. How does the election and reelection process function?
- v. Is a Board diversity policy used? If so, how does it function?
- b. Please respond here and supplement as necessary:

5. Evaluating Board Performance

- a. For Consideration:
 - i. How is the Board's and its committee's performance evaluated?
 - ii. Have any recent measures been taken to improve performance?
- b. Please respond here and supplement as necessary:

D. Practices for Directing Senior Management (806 KAR 3:240(3)(4))

1. Determining Appropriate Background Experience and Integrity of Key Persons

- a. For Consideration:
 - i. What processes and practices are used to determine if officers and key persons in control functions have suitable background experience, and integrity?
 - ii. Are any senior management positions filled using established suitability standards? If so, what titles and what are the standards?
 - iii. Have these standards been changed in the last year?
 - iv. If so, what procedures are in place to monitor and evaluate these changes?
- b. Please respond here and supplement as necessary:

2. Code of Business Conduct and Ethics

- a. For Consideration:
 - i. Does the insurer have a code of business conduct and ethics? If so, how does it relate to compliance with laws, rules, and regulations?
 - ii. How does the code of conduct address proactive reporting of any illegal or unethical behavior?
- b. Please respond here and supplement as necessary:

3. Evaluation of Performance and Compensation Programs

- a. For Consideration:
 - i. What process and practices are used to evaluate performance, compensation, and corrective action to ensure effective senior management?
 - ii. What are the general objectives of the compensation program?
 - iii. What are the compensation programs designed to reward?
 - iv. What is the Board's role in overseeing management compensation programs and practices?
 - v. What are the elements of compensation awarded in the compensation programs? How is each element determined and/or calculated?
 - vi. How are compensation programs related to both company and individual performance over time?
 - vii. Does the compensation program include risk adjustment? If so, how are those adjustments incorporated at different levels?
 - viii. Does the compensation program have any "clawback" provisions to recover awards or payments?

- ix. Does the compensation program include any other risk based incentives?
- b. Please respond here and supplement as necessary:

4. Succession Planning

- a. For Consideration:
 - i. What is the insurer's plan for CEO and Senior Management succession?
- b. Please respond here and supplement as necessary:

E. Critical Risk Areas Impacting Business Activities (806 KAR 3:240(3)(5))

1. Oversight Delegated Between the Board, its Committees and Management

- a. For Consideration:
 - i. How are oversight and management responsibilities delegated between the Board, its committees, and Senior Management?
- b. Please respond here and supplement as necessary:

2. Board Oversight of Strategic Plans, Associated Risks and Monitoring

- a. For Consideration:
 - i. How is the Board kept informed of the insurer's strategic plans, the associated risks, and steps Senior Management is taking to manage those risks?
- b. Please respond here and supplement as necessary:

3. Reporting for Critical Risk Areas (806 KAR 3:240(3)(5))

- a. For Consideration:
 - i. What are the insurer's critical risk areas? This may include risk management processes (ORSA), actuarial function, investment decisions, reinsurance decisions, business strategy/finance decisions, compliance function, financial reporting/internal auditing, and market conduct decisions.
 - ii. How are oversight and management responsibilities delegated between the Board, its committees, and Senior Management?
 - iii. How is the Board kept informed of the insurer's strategic plans, the associated risks, and steps Senior Management is taking to manage those risks?
 - iv. How are reporting responsibilities organized for each critical area? What is the frequency of reporting and review?
- b. Please respond here and supplement as necessary:

Exhibit List

The following list contains all the Exhibits attached to this Corporate Governance Annual Disclosure Statement:

Exhibit A (*Insert Title of Exhibit A*)

Exhibit B (*Insert Title of Exhibit B*)

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Signature and Certification

SIGNATURE

Pursuant to the requirements of 806 KAR 3:240(2)(2) promulgated by the Kentucky Department of Insurance, *(Insert Company Name)* has caused this Statement to be duly signed on its behalf in the City of *(Insert City Name)* and State of *(Insert State Name)*, on the *(Insert Day)* day of *(Insert Month)*, *(Insert Year)*.

(Insert Company Name)

By: _____
(Insert Name)
(Insert Title)

Attest:

CERTIFICATION

The undersigned deposes and says that (s)he has duly executed the attached Statement, dated *(Insert Date)*, for and on behalf of *(Insert Company Name)* and that she is authorized to execute and file such instrument. Deponent further says that (s)he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his/her knowledge, information and belief. Pursuant to 806 KAR 3:240(2)(2), Deponent hereby certifies that *(Insert Company Name)* has implemented corporate governance procedures and that a copy of this Statement has been provided to the Governance Committee of the Board of Directors.

(Insert Undersigned Name)