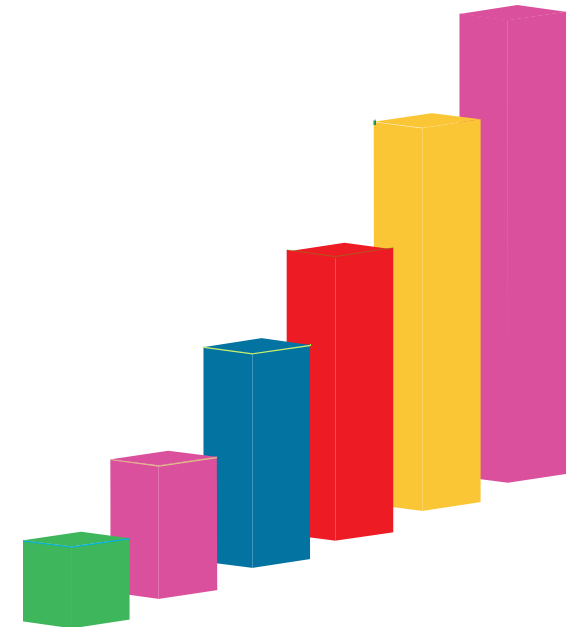


Objective of Business Conduct Strategy

- Reducing consumer detriment by a most efficient consumer protection
- Ensuring fair treatment and protecting the rights of consumers throughout the life cycle of insurance products and related contracts
- To establish a system of components for the management of risks that can affect customers / consumers, in order to ensure fair conduct
- Conduct supervision is systematic, prospective, based on risk analysis.
- Applying the principles of proportionality, qualified reasoning and documentation at all stages, for a continuous process of conduct supervision



Goals of Business Conduct Strategy

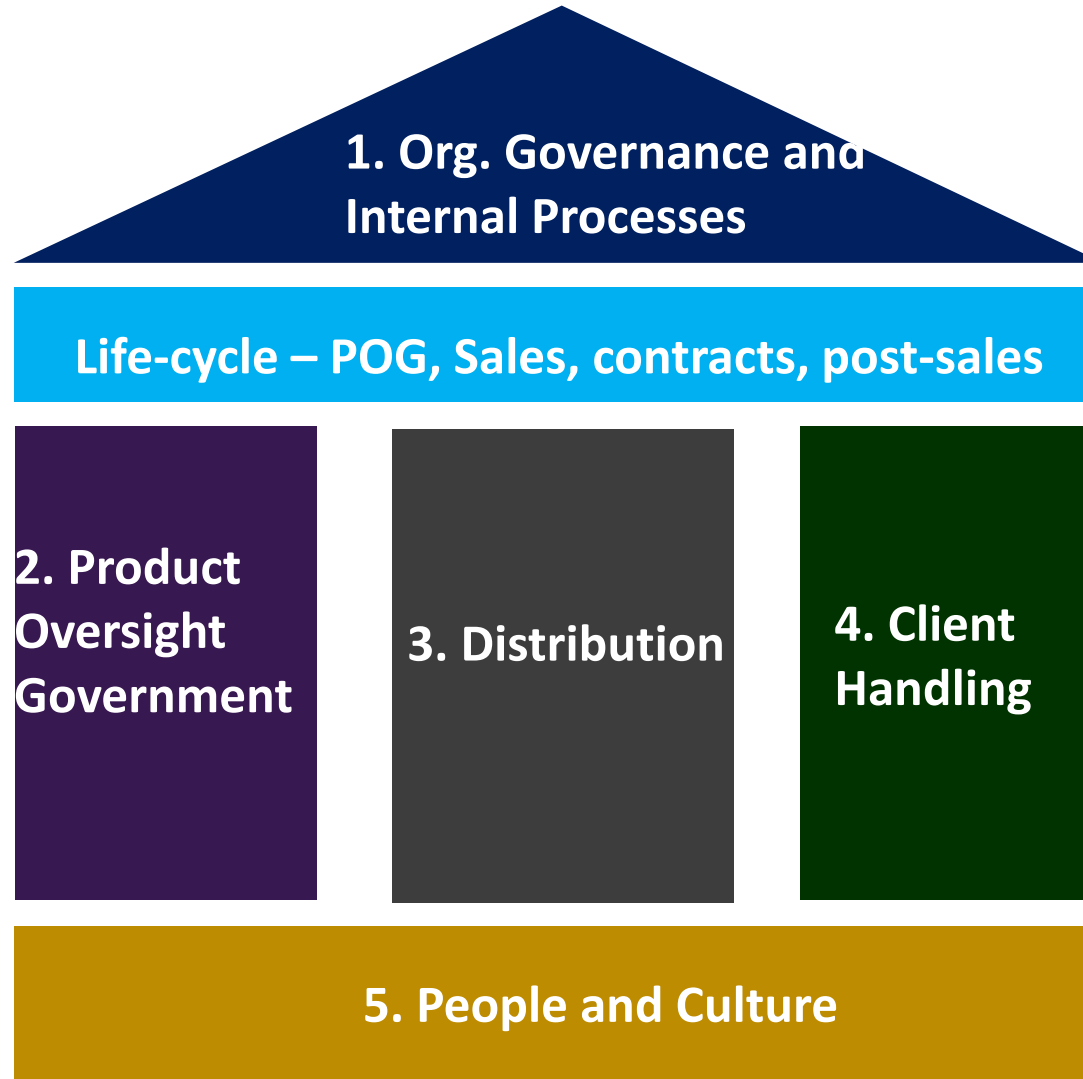
- ✓ Best practices in governance from the consumer perspective, operational risk management, implementation of an appropriate organizational culture
- ✓ Assessing how companies identify and manage consumer risks in the context of business strategies, business models, and internal processes and structures.
- ✓ An adequate, transparent and consistent information flow between insurance companies and clients
- ✓ Identification and limitation of potentially incorrect elements of insurance contracts
- ✓ Limit fraudulent practices by companies and their personnel,
- ✓ Correct implementation of IDD, limiting conflicts of interest, a good implementation of POG from the creation, testing and change, remuneration systems, professional competences for specialists and management
- ✓ Harmonization with the European insurance market supervisory framework

Sources of consumer detriment

Solution: management of operational risks

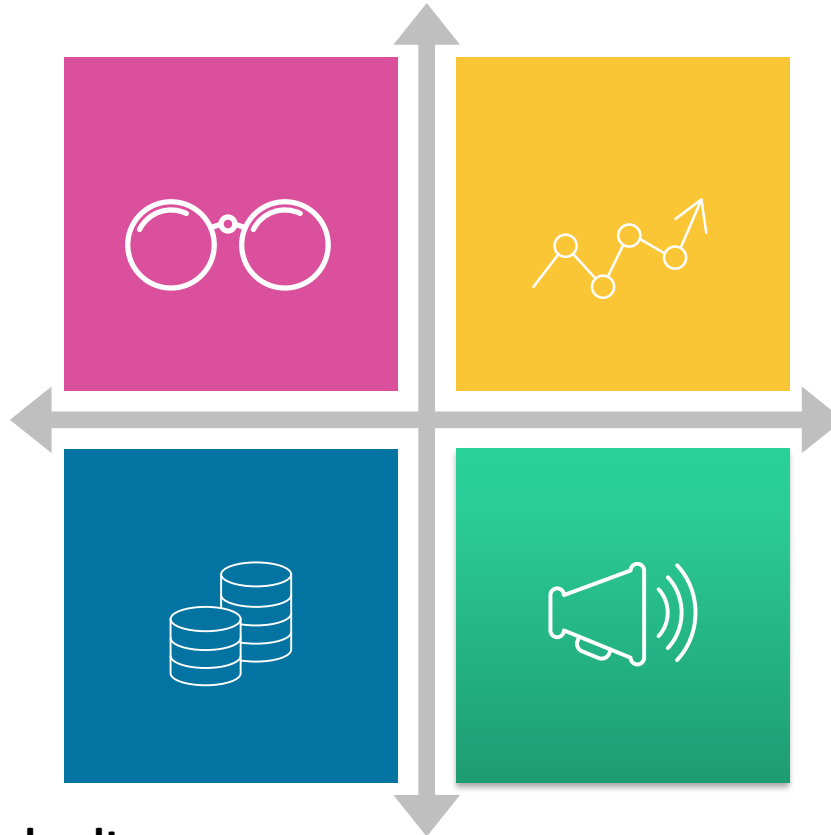


Business Conduct Risk Assessment Pillars



Governance and processes

- ✓ risk strategy and appetite
- ✓ operational risk management and practices that can affect customers / consumers)
- ✓ control points on processes
- ✓ organizational structure
- ✓ control functions
- ✓ monitoring consumer responses
- ✓ consumer status reporting



Life-cycle of the product

- ✓ Product development, including target market, testing and periodic evaluation
- ✓ Sales processes
 - (1) practices of information, advice, pricing, offers to potential clients before the signing of the insurance contract,
 - (2) the contracting of insurance products, including correct contractual clauses
- ✓ Post-sale processes, including completion / renewal of contracts.

Staff and culture

- values, behaviors, leadership, internal communication, escalation,
- staff practices, competencies and training
- performance management, remuneration for distribution

1. Supervision of Governance and Processes

Business conduct for consumer protection

- a) the allocation of responsibilities for compliance with the rules of conduct and the observance of consumer rights;
- b) the internal regulatory framework of the companies related the rules of conduct in relation to clients and provide for measures to manage operational risks related to customer rights.

2. Product Oversight Government

Business conduct for consumer protection

- a) Internal product governance:
- b) Company's procedures / policies on product development
- c) Companies monitor the complaints, reactions and suggestions received from consumers regarding insurance products for their assessment in terms of their ability to meet the needs of consumers
- d) Marketing and advertising, potential misleading advertising will be considered:

3. Supervision of Distribution

Business conduct for consumer protection

- a) Implementation by the company of product distribution procedures / policies;
- b) The structures responsible for the direct / indirect sale of insurance products are periodically reviewed by the internal control, internal audit, compliance.
- c) Compliance with legal provisions on consumer information documents in the pre-contractual phase (drafting, information included, modalities of transmission, etc.)
- e) How to prevent and remedy potential conflicts of interest
- f) Compliance with insurance offer requirements
- g) Compliance with disclosure requirements
- h) Compliance with insurance contract requirements:

4. Supervision of Client Handling(1)

Business conduct for consumer protection

- a) clear procedures / policies for post-sales services offered to consumers;
- b) clear evidence of consumer issues / complaints / suggestions from consumers as well as how to remedy them;
- c) the existence of policies to analyze the causes that led to consumer complaints in order to minimize similar situations in the future;
- d) inclusion in the internal control plan of post-sales monitoring activities for consumers, actions taken by the company to identify potential practices to the detriment of consumers.
- e) the existence and application of a risk assessment and management system to protect customers, in particular operational ones, to demonstrate customer engagement;
- f) observance of the legal provisions regarding the information of the consumers throughout the life of the insurance contract;

4. Supervision of Client Handling (2)

Business conduct for consumer protection

- g) company implementation of claims management policies / procedures and assessment of their suitability to the interests of consumers;
- h) compliance with the legal provisions on the registration of documents in the case files;
- i) compliance with legal deadlines for dealing with claims, liquidation of damages, including in the case of direct settlement;
- j) observance of the legal provisions regarding the conduct by the claims handlers;
- k) verification of compliance with the rules of conduct on how complaints are handled:

5. Supervision of Staff and Culture (1)

Business conduct for consumer protection

For a consumer-oriented culture, supported by appropriate organizational structures and trained personnel in order to comply with the rules of conduct and consumer rights we will focus on:

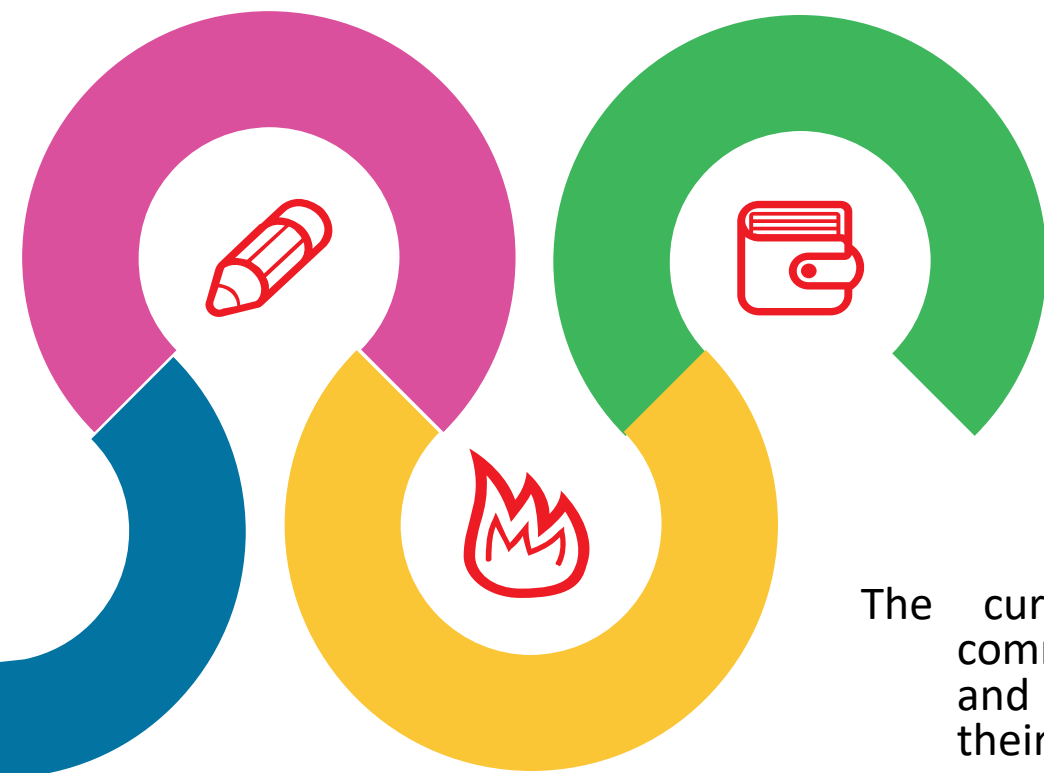
- a) The vision and values of the company in relation to consumer treatment (eg the impact of the company's decisions on consumers);
- b) How management actions and vertical communication encourage consumer culture within company (examples may be required);
- c) Existence of clear responsibilities assigned to staff to comply with the rules of conduct;
- d) The personnel training plan also includes the topic of good conduct; the training results will be analyzed.

5. Supervision of Staff and Culture (2)

Business conduct for consumer protection

- e) The performance management system also includes staff assessment from the point of view of observing rules of conduct and consumer protection;
- f) The staff promotion policy also takes into account employee behavior in relation to consumers, compliance with the rules of conduct;
- g) The personnel training plan also includes the topic of good conduct; the training results will be analyzed.

Supervision of conduct rules is carried out on the basis of risks, including the establishment and monitoring of key risk indicators.



a. Permanent, periodic supervision or ad hoc inspection



b. Thematic Surveillance



c. Mystery Shopping



d. Request for explanatory notes



e. Hearings of the management and staff of the companies



f. Methods related to the public whistleblower



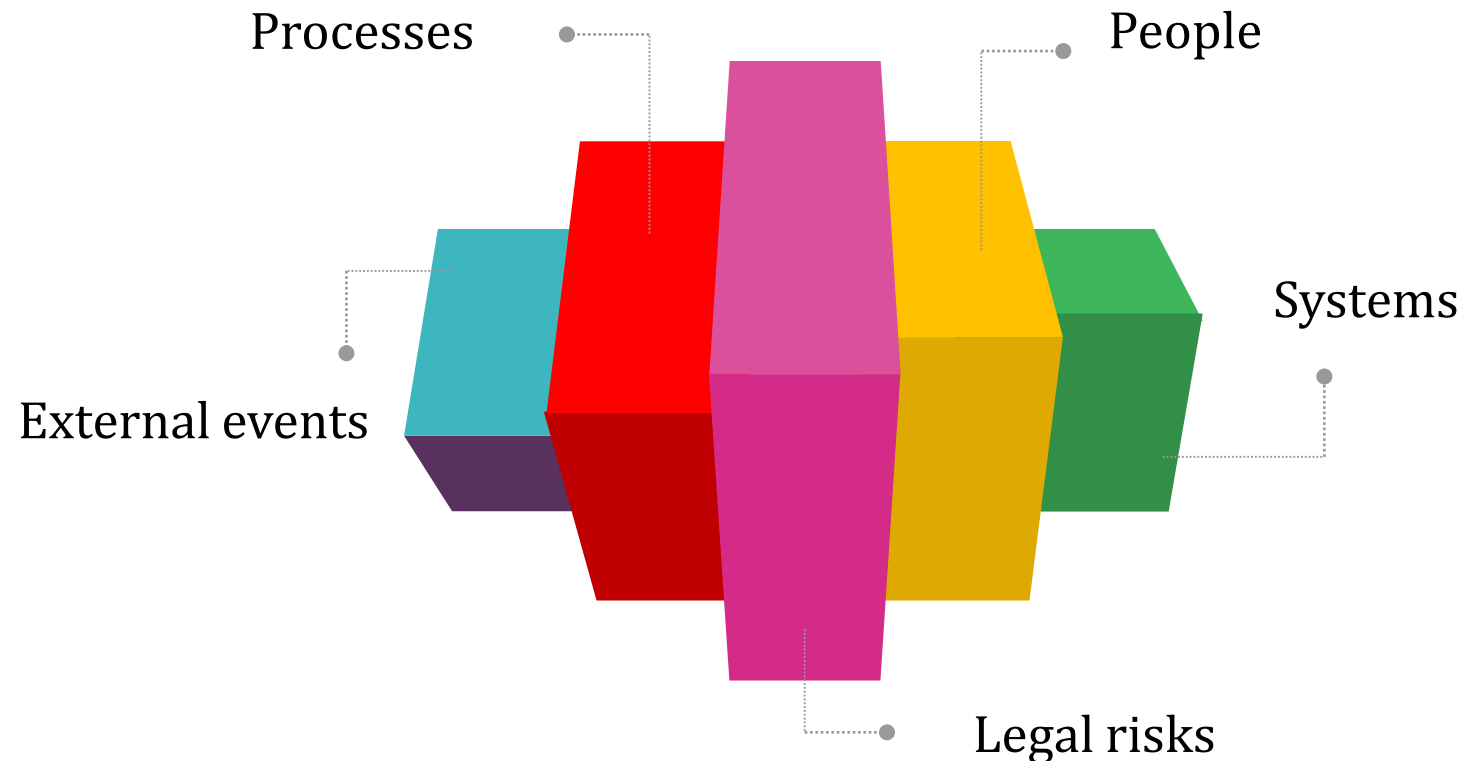
g. Assessments of current and potential risks related to conduct and the protection of insurance consumers at the level of the Romanian insurance and reinsurance system

The current and potential risks assessment will be communicated to the companies for the related measures, and they will transmit the measures transposed within their own strategy and policies.



- a. Policies / strategies / procedures and other internal rules of companies;
- b. Consumer information documents issued by companies, offers, insurance contracts;
- c. Company web pages;
- d. Complaints;
- e. Advertising materials;
- f. National Consumer Protection Authority (ANPC);
- g. Whistle-blowers;
- h. Files before the courts
- i. Mystery shopping;
- j. Media;
- k. Intermediaries;
- l. Regular reports of companies; internal Audit Reports and independent auditor's reports

Identify possible or effective losses from inadequate or failed:



Special focus (2)

Properly managed operational risks !

Analyzing post-loss & causal factors, all faulty events **had a good chance of being prevented or detected if ...**

... Aggregate, analyze, and escalate **Key Risk Indicators (KRIs)** providing **‘closer to real time information’ using ...**

... **Innovative technologies** for prevention, structured & unstructured data analytics, pattern recognition, AI, etc.

Unitary and integrated treatments, for an appropriate response, of...
...the new reputational, systemic and operational risks related to dematerialization, increasingly advanced technologies used in business, economic and financial areas

Measures resulted from operational risk management :

- Governance systems, transparency, segregation, fit & proper
- Control points
- Risk-based oversight/monitoring system – Key Risk Indicators
- Impact analyses, identification, collecting and interpretation of incidents
- Rules for the risk areas, interconnected activities or externalized ones
- Identifying and assessing emerging risks related to new developments of the activity and / or the modification of the regulations or legislation in force

