



THE INSURANCE COMMISSION  
OF THE BAHAMAS

# External Insurer's Act 2009

Guidelines on Corporate Governance  
(For Discussion ONLY)

# Corporate Governance

## ▶ Overview

- Corporate Governance Principles
- Responsibilities of the Board
- Proportionality
- Composition of the Board and Senior Management
- Responsibility of Senior Executives



# Corporate Governance Principals

- ▶ The Commission endorses the principles set out by the Organisation for Economic Co-operation and Development (OECD) on Corporate Governance and the International Association of Insurance Supervisors (IAIS).
- ▶ These principles are largely universal and may be applied by companies of all sizes and to the extent applicable to both private and public entities.
- ▶ The Commission encourages all companies to become familiar with the principles and to the extent applicable to implement the same.

IAIS Link:

- ▶ [http://www.iaisweb.org/\\_temp/IAIS\\_Core\\_Principles\\_on\\_Corporate\\_Governance\\_2004\\_.pdf](http://www.iaisweb.org/_temp/IAIS_Core_Principles_on_Corporate_Governance_2004_.pdf)

OECD Links:

- ▶ <http://www.oecd.org/dataoecd/54/28/40990025.pdf>
- ▶ [http://www.oecd.org/document/50/0,3343,en\\_2649\\_34851\\_40989180\\_1\\_1\\_1\\_37411,00&&en-USS\\_01DBC.html](http://www.oecd.org/document/50/0,3343,en_2649_34851_40989180_1_1_1_37411,00&&en-USS_01DBC.html)--
- ▶ [www.oecd.org/daf/corporateaffairs/principles/text](http://www.oecd.org/daf/corporateaffairs/principles/text)



# Corporate Governance

- ▶ These guidelines are proposed to be enacted as a part of the Regulations for External Insurance.
- ▶ Corporate Governance includes principles on corporate discipline, accountability, responsibility, compliance and oversight.
- ▶ The Board of Directors are responsible for ensuring corporate governance, policies and practices are developed and applied in a prudent manner.
  - Policies should be reviewed annually to ensure they are consistent with the business strategy



# Responsibilities of the Board

- ▶ Oversight responsibilities toward underwriting, investments, risk management, audit and compliance.
  - Should be clearly defined and reporting of material deficiencies and fraud activities should be transparent and devoid of conflicts of interest
- ▶ Approval of policies and strategies surrounding oversight.
- ▶ Ensuring incoming officers / management / staff members are adequately skilled in their relevant field and knowledge of policies and procedures.
- ▶ Appoint a resident representative (normally a member of executive management)
- ▶ Ensuring the insurance manager duties and responsibilities are set out in the management agreement, obliging full cooperation with the Commission (eg. assisting with onsite inspection).
- ▶ **Delegation of Authority to board committees, chief and senior executives or external parties does NOT absolve the board from its ultimate responsibility.**



# Proportionality

- ▶ Varying risk profiles require a various levels of governance and risk management framework to conduct business in a sound prudent manner.
- ▶ The Commission will assess Corporate Governance based on the scale, complexity and nature of the insurer.



# Composition of the Board and senior Management

- ▶ Directors and senior management must be “fit and proper” – knowledge and practical experience of insurance business adequate to act in the capacity (Section 34).
  - Complete biographical questionnaires.
- ▶ Senior management must include officers such as the president, vice –president, secretary and treasurer
- ▶ A resident representative must be appointed whom is a licensee management company or individual for the purpose of managing the business of the licensee.



# Resident Representative

- ▶ Role is an integral part of the regulatory framework.
- ▶ Must be knowledgeable of the insurance industry and able to speak and act on behalf of the insurer.
- ▶ Acts in an “early warning” role and ensures the insurer is in full compliance with the regulatory requirements as set out in the External Act 2005.
- ▶ Duty to report certain events to the Commission. (eg. Violations, non compliance, change in officers / directors / shareholders/ managers).
- ▶ Must have full access to books and records.





# Responsibility of senior executives

- ▶ Manage the day to day operations of the insurer in accordance with policies approved by the board.
- ▶ Assist the board with oversight responsibilities by ensuring the board has accurate and timely information
- ▶ Ensure the external service providers, including the resident representative, insurance manager and approved auditors have adequate resources and information to fulfil their role.



# Questions

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# Contact Information

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