



## **TURKS & CAICOS ISLANDS FINANCIAL SERVICES COMMISSION CORPORATE GOVERNANCE GUIDELINES FOR INSURANCE COMPANIES**

### **1. Introduction**

- 1.1. These guidelines apply specifically to domestic insurers<sup>1</sup>, licensed under the Insurance Ordinance, to transact insurance business in the Turks and Caicos Islands (TCI). They are issued under section 43 of the Financial Services Commission Ordinance to provide guidance as to the conduct expected of the Board of Directors (the Board) and the Senior Management of domestic insurers.
- 1.2. The Commission requires insurers to establish and implement a corporate governance framework which provides for sound and prudent management and oversight of the licensed insurer's business and adequately recognizes and protects the interests of policyholders.
- 1.3. The Board has ultimate responsibility to set and oversee the implementation of the insurer's business objectives and strategies for achieving those objectives, as well as, provide oversight of Senior Management.

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<sup>1</sup> Domestic Insurer: An insurer, licensed under section 4 (1) (a) of the Insurance Ordinance, whose principal objective is to insure risks in relation to:

- (a) a person who, at the time of effecting the contract, is ordinarily resident in the Islands; or
- (b) property that, at the time of effecting the contract, is in the Islands or, in the case of a vehicle, vessel or aircraft, or other movable property is ordinarily based in the Islands.

## **2. Structure of the Board**

2.1. The Board should have, on an on-going basis:

- a) An appropriate number and mix of individuals, including independent directors, to ensure that there is an overall adequate level of knowledge, skills and expertise at the Board level commensurate with the governance structure and the nature, scale and complexity of the insurer's business;
- b) Appropriate internal governance practices and procedures to support the work of the Board in a manner that promotes the efficient, objective and independent judgment and decision making by the Board; and
- c) Adequate powers and resources to be able to discharge its duties fully and effectively.

## **3. Appointment and Approval of Directors and Senior Officers**

3.1. The insurer is required to obtain approval in writing from the Commission, prior to making the appointment of a director or senior officer. Additionally, the insurer must notify the Commission within fourteen days of any change in its directors or senior officers.

3.2. The following documents are required for each proposed director or senior officer as part of the approval process: Statement of Affairs, Biographical Affidavit, certified copy of biometric page of passport, Police Record, references (financial, personal and professional) and current résumé.

3.3 In giving consideration for approval, the Commission must be satisfied that the applicant meets the 'fit and proper' criteria. When considering fitness and propriety, the Commission will consider all factors that appear to be relevant for the application in question. These include, but are not limited to honesty, integrity, competence and financial soundness.

## 4. Individual Duties of Board Members

4.1. The individual Board members are required to:

- a) Act in good faith, honestly and reasonably;
- b) Exercise due care and diligence;
- c) Act in the best interests of the insurer and policyholders, putting those interests of the insurer and policyholders ahead of his/her own interests;
- d) Exercise independent judgment and objectivity in his/her decision making, taking due account of the interests of the insurer and policyholders; and
- e) Not use his/her position to gain undue personal advantage or cause any detriment to the insurer.

4.2. The insurer should include the above duties as part of the Board Charter or mandate containing the terms of engagement of the individual Board members.

4.3. Individual Board members should avoid conflicts of interests by:

- a) Respecting the confidentiality of information received during their term as directors;
- b) Transacting their personal business with the institution at arm's length; and
- c) Fully disclosing to the Board any interests which directly or indirectly, they may have in loans, contracts, transactions, etc. to which the licensed insurer is or may become a party.

## 5. Board Oversight

5.1. The Board should, among other things:

- a) Review at least annually , its own performance to ascertain whether members collectively and individually remain effective in discharging their respective roles and responsibilities;
- b) Establish appropriate practices and procedures for its own internal governance, which are periodically reviewed to assess their effectiveness and adequacy;
- c) Establish Committees based on the nature, scale and complexity of operations of the insurer, including audit, compliance, remuneration and risk management committees.
- d) Meet regularly and oblige members to devote sufficient time to their Board responsibilities, inclusive of reviewing and approving financial reports and monitoring the institution's financial condition and maintain proper signed minutes of all meetings held, highlighting decisions taken;
- e) Establish and document its strategic objectives; the means of obtaining the objectives and the procedures for monitoring and evaluating its progress in achieving those objectives;
- f) Establish and document the nomination and appointment procedures, structure, functions, re-elections and balance between executive and non-executive directors of the board in a transparent manner;
- g) Outline a clear division of responsibilities to ensure a balance of power and authority, so that no one individual has unfettered powers of decision.
- h) Ensure that the insurer is effectively managed, by appointing the Senior Management, and ensure that its business is conducted in a sound and prudent manner by establishing relevant objectives and performance measures which are monitored on a regular basis;

- i) Ensure that the insurer has appropriate systems and functions for risk management and overall internal controls and provide oversight to ensure that these systems and the functions that oversee them are operating effectively and as intended;
- j) Ensure that there is an internal audit function capable of reviewing and assessing the adequacy and effectiveness of, and the insurer's adherence to the internal controls, as well as reporting on strategies, policies and procedures.

## **6. Duties of Senior Management**

6.1. The Board should have appropriate policies and procedures to ensure that Senior Management:

- a) Carries out the day-to-day operations of the insurer effectively and in accordance with the insurer's strategies, policies and procedures;
- b) Promotes a culture of sound risk management, compliance and fair treatment of customers;
- c) Provides the Board with adequate and timely information to enable the Board to carry out its duties and functions; and
- d) Provides to the relevant stakeholders and the Commission the information required to satisfy the legal and other obligations applicable to the insurer.

## **7. Relationship between the Board and the Commission**

7.1. Open communication between the Board and the Commission helps promote the mutual trust and confidence essential to the effectiveness of the regulatory framework. A Board that carries out its responsibilities effectively will:

- a) Understand the regulatory environment within which it operates;

- b) Require appropriate follow-up on recommendations and any deficiencies identified by the regulators, the internal and external auditors, including following up with senior management to determine if weaknesses found are indicators that similar problems may exist elsewhere in the organization;
- c) Consider regulatory findings in its on-going evaluation of senior management, recognizing that primary responsibility for identifying weaknesses rests with the Board and Senior Management; and
- d) Be open to sharing with the Commission information pertaining to the regulatory oversight of the licensed insurer.

**The Financial Services Commission**  
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