Module I   Unit 16A

GOVERNANCE

Purpose

At the end of this unit the participant should be able to demonstrate an understanding as to the role and responsibilities of the board for directing and managing the company.
The participant should also be able to provide an overview of the governance framework that will need to be in place in order for the board to have adequate oversight and control of the operations of the company.

Assumed knowledge

None

Summary of learning outcomes
Provide a basic explanation of the 18 principles in Appendix 3 of the GFSC's Finance Sector Code of Corporate Governance and how the board may apply them in practice.

Module I Unit 16A

GOVERNANCE

16.0 BOARD OF DIRECTORS – OVERVIEW OF ROLE, RESPONSIBILITIES AND LIABILITY

The board of directors of a company is appointed by the shareholder to direct and manage the company.

The role and responsibilities of the board are defined within the relevant laws of Guernsey; in the applicable corporate governance code; and in the company's Articles of Incorporation.

The Companies (Guernsey) Law, 2008 states in S.134 (1) that 'The business and affairs of a company must be managed by, or under the direction or supervision of, the board of the company'.

Under S.115, anyone dealing in good faith with a company is entitled to assume that a director of that company has the power to bind the company or authorise others to do so in a contract.

The board is responsible for the company's compliance with all relevant laws, but the Companies Law imposes a number of specific duties on directors, including:

- Preparation of annual accounts that give a true and fair view and a directors' report for the shareholders
- Keeping the assets and liabilities of PCC and ICC cores and cells segregated from those of other cells
- Declaration of a director's interest in any transactions
- Carrying out the duties of the Company Secretary if the company has no secretary

Directors' general duties under Guernsey law are found in case law rather than in the statutes. The key duties under the law are:

- Fiduciary duties – the duty to act in good faith, with honesty and integrity, in the best interests of 'the company'. Where the company is solvent, the directors owe their duty to the shareholders; where the company is on the brink of insolvency, the directors owe their duty to the company's creditors. The interest of other stakeholders should also be taken into account and will often be aligned with those of the company, but the interests of 'the company' take precedence.

- The duty of care and skill, judged by how a 'reasonable director' would be expected to act. If a director has a higher level of knowledge, skill or experience than a' reasonable director', then a higher standard of duty and care will be expected, e.g., a qualified accountant would be expected to be able to correctly interpret and challenge the accounts and have a good awareness of the accounting standards that need to be applied.

Directors can be held personally liable if they are deemed by the Court to have failed in properly fulfilling their fiduciary duties and duty of care and skill. S.157 of the Companies Law permits the company to indemnify directors against liability incurred by a director to a person other than the company or an associated company, where the liability arises from the actions (or inaction) of the director(s). The right to indemnity is a standard clause in the Articles of Incorporation of the company and in directors' contracts. In addition, directors & officers' liability insurance is put in place, either as a separate policy or as part of the shareholder's group policy, to ensure that directors have direct access to funding in the event of litigation against them as individuals.

Appendix 3 of the GFSC's Finance Sector Code of Corporate Governance sets out the principles which apply to the boards of licensed insurers. The principles set out in the Code represent best practice for the conduct of boards of insurers and for the governance framework that will enable the board to have adequate oversight and effective control of the company's operations, and manage it in a sustainable, legal and ethical manner.

The GFSC recognises that these principles may be applied proportionately depending upon the nature, scale and complexity of the business.

Commercial insurers with retail policyholders which have a full establishment in Guernsey, with their own premises, senior management and staff to fulfil all the key control functions and operational roles, will be expected to have a standalone governance framework, whereas the boards of reinsurers and captive (re)insurers which are managed by a licenced insurance manager will rely in great part on the policies and procedures of the insurance manager.

The following sections set out each of the 18 principles in Appendix 3 of the GFSC's Finance Sector Code of Corporate Governance and explores how the board of a managed insurance company may apply them in practice.

16.1 STRATEGY, RISK APPETITE & OVERSIGHT

16.1.1. Principle A: 1

An insurer's Board is required to set and oversee the implementation of the insurer's business objectives and strategies for achieving those objectives, including its risk strategy and risk appetite, in line with the insurer's long-term interests and viability.

The board is responsible for setting the strategic objectives for the company, which will be driven by the purposes for which the shareholder set up the company in Guernsey. These are explored in detail in Unit 2

The board will need to develop and implement a business plan to achieve those strategic objectives, and this will include the setting of underwriting and investment policies, which will also reflect the risk appetite of the company.

The board will need to determine its risk appetite in respect of the insurance business which it writes and the regulatory, operational and other financial risks of the business. The board will need to balance profitability with sustainability and consider the relationship of risk and reward for each of its commercial risks. Lower premiums attract more business but at a higher loss ratio; reinsuring with lower rated reinsurers will cost less and investing funds with lower rated banks may pay higher interest rates, but the credit risk increases in both cases. The board may well have a different risk appetite for different risks.

The risk appetite in respect of the insurance business being underwritten will be determined largely by the level of capital available, solvency requirements and the shareholder's own attitude to risk and its requirements in terms of profitability.

Investment risk appetite will be matched to the insurance business being written in terms of maturity profile, interest rate assumptions and cash flow requirements. Investments which are being held in respect of liability and other long-tail insurance business can be held for a longer term and be less liquid e.g., equities and long-dated corporate bonds. The board's appetite for credit risk will be influenced by the shareholder's group treasury policy in terms of minimum credit ratings and counterparty limits and by the impact of its credit policy on its solvency requirements, as lower or unrated investments and reinsurers require a higher capital charge for the PCR.

Regulatory, data protection and cyber risk will all be managed with a very low risk tolerance.

The risk management framework which manages risk in accordance with the board's risk appetite is covered in more detail in section 16.5.

Other key responsibilities of the Board include:

- Monitoring the financial and operational performance of the company

- Risk management, including internal controls and procedures
- Oversight of outsourced service providers
- Regulatory compliance

16.1.2. Principle A:2

An insurer's Board is required to:

- **ensure that the roles and responsibilities allocated to the board, Senior Management and Key Persons in Control Functions are clearly defined so as to promote an appropriate separation of the oversight function from the management responsibilities; and**
- **provide adequate oversight of the Senior Management.**

For managed insurers:

- The insurance manager including the senior members of their client service team will be deemed to be Senior Management.

- The insurance manager or another service provider will usually be appointed at a corporate level to carry out the Control Functions - which are Compliance, Risk Management, Actuarial and Internal Audit - and there are unlikely to be Key Persons appointed to these roles on an individual basis.

The roles of Senior Management and the Control Functions should be clearly set out in management/service agreements. The board will need to ensure that the delegated authority of the Insurance Manager to make decisions and take actions on behalf of the company is clearly documented. This will be set out in high level terms in the management agreement and is likely to be supplemented by the minutes of board meetings where delegated authority can be granted for specific purposes, for example to bind the company in the renewal programme or submit the annual tax return.

The reports to the board will be designed to ensure that the board is able to monitor the performance of the Insurance Manager and that the Control Functions are being carried out on a proper and timely basis.

The board may set up committees to deal with specific aspects of the business, such as:

Committee	**Responsibilities**
Underwriting	Liaise with brokers on strategy and key renewal terms. Underwrite insurance business. Consider need for reinsurance. Monitor credit ratings of reinsurers. Supervise day-to-day insurance activities delegated to insurance manager. Monitor underwriting performance.
Claims	Supervise claims handling activities delegated to insurance manager or third-party claims handler. Set settlement limits for referral of claims to committee or insurance manager. Consider requests for ex gratia payments. Arrange and review outcome of claims audits.

Underwriting and Claims are often combined into one committee.

Investment	Recommend investment policy to the Board.

	Monitor investment performance Monitor investment manager's compliance with service standards and investment policy.
Audit	Liaise with external and internal auditors. Review management letter/ISA 260 and agree required actions and responses with the Insurance manager. Review financial statements and letter of representation for recommendation to board. Consider need for an internal audit and agree scope of work to be carried out.
Risk	Identify, mitigate and monitor all the company's risks. Ensure that policies and procedures are put in place to manage the risk and are operating effectively. Consider if there are any new and emerging risks that need to be managed.

Audit and Risk are often combined into one committee

The committees deal with business at a more operational level, enabling the board meetings to focus on strategy, policies, performance and material issues and exceptions.

The board can appoint individuals to be members of committees who are not directors, such as representatives from the Insurance Manager, to provide relevant specialist knowledge.

The board will approve terms of reference for each committee which set out the following:

1. The purpose and responsibilities of the committee
2. The delegated authority of the committee - the board may give the committee authority to approve certain matters, or the committee may be required to make recommendations to the board so that the whole board makes the decision.
3. Composition and quorum of the committee and frequency of meetings
4. Requirements for reporting to the board - the board may receive copies of the minutes of committee meetings and/or a report may be given at each board meeting from the chairman of the committee.

16.2 COMPOSITION, CONDUCT AND REMUNERATION OF THE BOARD

16.2.1. Principle A:3

An insurer's board is required to have on an on-going basis:

- **an appropriate number and mix of individuals 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.**
- **at least one independent non-executive director.**
- **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**
- **adequate powers and resources to be able to discharge its duties fully and effectively**.

The mix of backgrounds of the directors may include insurance, accounting, actuarial, banking, investments and law,

The board is also likely to include one or two directors from the shareholder who can contribute knowledge of the business being insured and provide a useful communication line to the shareholder, to ensure that the company's strategy and policies are consistent with that of the wider Group.

The GFSC requires the appointment of at least one non-executive director who is independent of the shareholder, insurance manager and any other stakeholders or connected party, but many boards appoint two or more independent directors.

An employee of the insurance manager may also be appointed to the board although some insurance managers have a corporate policy that does not permit employees to be appointed to client boards.

If the company is managed by an insurance manager, then all the directors can be considered non-executive with the possible exception of the insurance manager employee.

The board is likely to consist of a majority of Guernsey resident directors to evidence that management and control of the company is in Guernsey. The Economic Substance Rules require a quorum of board members to be physically present in Guernsey when making strategic decisions to demonstrate that the company is directed and managed in Guernsey, and the CIGA rules require a majority of those making decisions regarding CIGA, which includes underwriting, to be physically present in Guernsey. The Economic Substance Rules are outlined in more detail in Unit 14

16.2.2. Principle A:4

The individual members of an insurer's board are required to:

- **act in good faith, honestly and reasonably.**
- **exercise due care and diligence.**
- **act in the best interests of the insurer and policyholders, putting those interests of the insurer and policyholders ahead of his/her own interests.**
- **exercise independent judgment and objectivity in his/her decision making, taking due account of the interests of the insurer and policyholders; and**
- **not use his/her position to gain undue personal advantage or cause any detriment to the insurer.**

Principle A:4 reflects the directors' duties under Guernsey law which were outlined in 20.1.

Directors of a Guernsey licensed insurer are required to be approved by the GFSC prior to their appointment. All directors are required to meet the 'Fit and Proper' standard which is set out in the minimum criteria for licensing. A GFSC guidance note issued on 5 October 2018 provides more detail on the criteria for the Fit and Proper standard, which include:

- Competence, considering the individual's skills, knowledge, capability and expertise.
- Probity, considering the individual's integrity, honesty and reputation.
- Solvency, in the form of the individual's financial soundness.

A prospective director will need to have completed and submitted a personal questionnaire ('PQ') on the GFSC's PQ Portal prior to submitting an online request for approval of their appointment to the board of a particular company. The PQ provides information about their experience and qualifications and requires the individual to answer questions relating to any criminal convictions, professional and employment disciplinary sanctions and their personal solvency, which are intended to establish if they meet the Fit and Proper standard.

Each director will also be required to confirm annually to the rest of the board that they have met the Fit and Proper standard on an ongoing basis.

Directors' interests are recorded in a formal register and the directors will confirm at the beginning of each board meeting that the register is complete or advise of any additional conflicts that need to be recorded. Such conflicts exist where the director is employed by the insurance manager or another service provider, or by the shareholder which is probably also the insured. Where there is a conflict of interest in respect of a particular transaction then this should be recorded in the board minutes and the director with the conflict may be required to absent themselves from the discussion and/or abstain from voting for that particular transaction.

16.2.3. Principle A:5

The insurer's board is required to:

- **adopt and oversee the effective implementation of a remuneration policy, which does not induce excessive or inappropriate risk taking, is in line with the identified risk appetite and long-term interests of the insurer, and has proper regard to the interests of its stakeholders; and**

- **ensure that such a remuneration policy, at a minimum, covers those individuals who are members of the board, Senior Management, Key Persons in Control Functions and other employees whose actions may have a material impact on the risk exposure of the insurer**.

For managed insurance companies, the directors and insurance manager are likely to be on a fixed fee based upon an estimated time commitment required to manage the company properly, with any performance fees for the insurance manager based upon meeting or exceeding service standards rather than the performance of the insurer.

16.3 REPORTING AND GOVERNANCE FRAMEWORK

16.3.1. Principle A:6

The insurer's board is required to ensure that there is a reliable financial reporting process, for both public (where applicable) and supervisory purposes, which is supported by clearly defined roles and responsibilities of the board, Senior Management and the external auditor.

For managed companies the company's accounting records will be maintained on the client accounting system utilised by the insurance manager. The role and responsibilities of the manager in respect of maintaining accounting records and financial reporting will be set out in the management agreement and the board will have adopted the policies and procedures of the insurance manager in respect of the production of the company's accounts. Monthly or quarterly management accounts will be produced by the insurance manager and tabled at board meetings for the board's review together with the regulatory solvency calculations.

The insurance manager will also be responsible for drafting the annual directors' report and financial statements and liaising with the external auditors to plan the audit, obtain third party confirmations and make any agreed changes to the draft report and financial statements.

The role and responsibilities of the board in relation to the financial statements are set out in the Directors' Report to the financial statements and in the letter of representation provided to the external auditors every year. These reflect the requirements of the Companies Law and insurance regulations.

The role and responsibilities of the external auditors will be set out in the audit engagement letter, which is approved and signed by the board. The engagement terms will reflect the requirements of the Companies Law and the insurance regulations.

The board will approve and sign the directors' report and financial statements and they will be submitted together with the audit report to the Commission as part of the Annual Insurance Return.

The auditors are required to provide a management letter or 'ISA 260' report to the board, to advise if there are any matters that the auditors wish to bring to the attention of the board that were identified during the course of the audit. Such matters will include internal control weaknesses, unadjusted audit differences, difficulties encountered in the audit process, fraud, going concern, and management's judgements and accounting estimates. The board will need to be arrange for responses to be provide to the auditors' observations and action taken where necessary to address the issues raised. The management letter is also required to be submitted to the Commission.

Publicly Available Information

The company is required to comply with the Insurance Business (Public Disclosure of Information) Rules.

These require the insurer to make its audited financial statements and other specified information about the company publicly available, on its website if it has one, subject to exemptions for confidential or commercially sensitive information. The Rules also require the insurer to make its audited financial statements available to anyone with a valid interest, including current and prospective policyholders and professional advisors.

The Rules do not apply to Category 5 insurers i.e., captives and Category 6 insurers or PCCs.

See Unit 6 for information about licence Categories

16.4 REPORTING AND GOVERNANCE FRAMEWORK - CONTINUED

16.4.1. Principle A:7

The insurer's Board is required to have systems and controls to ensure the promotion of appropriate, timely and effective communications with the Commission and relevant stakeholders on the governance of the insurer.

16.4.2. Principle A:8

The insurer's Board is required to have policies and procedures to ensure that Senior Management:

- **carries out the day-to-day operations of the insurer effectively and in accordance with the insurer's strategies, policies and procedures.**
- **promotes a culture of sound risk management, compliance and fair treatment of customers.**
- **provides the Board adequate and timely information to enable the Board to carry out its duties and functions including the monitoring and review of the performance and risk exposures of the insurer, and the performance of Senior Management; and**
- **provides to the relevant stakeholders and the Commission the information required to satisfy the legal and other obligations applicable to the insurer or Senior Management.**

For managed insurers, as Senior Management, the Insurance Managers attend to most aspects of the company's operation under the direction of the board, as detailed in Unit 7.

The Insurance Manager will have put in place the policies and procedures required to support the operation, risk management and compliance of the company and to provide adequate reporting to the board, Commission and other stakeholders including the shareholder.

The board will normally agree to adopt the procedures of the Insurance Manager as the company's procedures, and the Insurance Manager's documented standard procedures should provide a robust process and control framework for most aspects of the company's operations, including:

- Dual signatories and other controls for making payments

- The renewal process

- Reliable and accurate accounting system

- Documented processes for preparing and reviewing accounts, payments, insurance/reinsurance documentation, board packs and regulatory reporting.

There may be specific procedures that need to be written and put in place for the company where these are not covered by the Insurance Manager's standard procedures, for example processes to be followed by third party claims administrators.

16.5 RISK MANAGEMENT FRAMEWORK

16.5.1. Principle A:9

The insurer's board is required to provide oversight in respect of the design and implementation of sound risk management and internal control systems and functions.

16.5.2. Principle A:10

The insurer is required to establish, and operate within, effective systems of risk management and internal controls.

The board is required to develop a risk register which enables it to identify and assess risks which are material to the company and also document the controls, monitoring and reporting processes which are in place to mitigate and monitor those risks. The board will consider its assessment of each risk against its appetite for risk and determine where it needs to take action to reduce the likelihood and/or impact of that risk.

The risks which the board of an insurer are likely to consider include:

- Underwriting risk
- Reserving risk
- Investment risks
- Credit risk
- Market risk
- Liquidity risk
- Legal risk
- Regulatory risk
- Crime risk
- Outsourcing risk
- Systems and operations risk
- Information and communications technology risk
- Business continuity risk
- Reputational risk

The format of risk registers will vary from company to company, and insurance managers may have their own template which client companies can adopt if required, or the board may choose to adopt an alternative format, such as used by the shareholder.

The key features of a risk register include the following:

- Assessment of the likelihood and potential impact of each key risk before any controls and other mitigations are put in place. These may be graded low, medium or high, or quantified on a scale say 1 – 5.
- Identification of the controls and other mitigations put in place to reduce the likelihood and impact of the risk occurring
- Documenting of the monitoring and reporting processes which enable the board to assess that the controls are in place, being complied with and operating effectively
- Assessment of the likelihood and potential impact when the controls and other mitigations are in operation

An extract from a risk register is provided below which demonstrates how it might address some of the key risks. This extract is by no means exhaustive and each insurer will have a risk register which reflects the risks of its business and the governance and operational structure.

Risk	**Pre-mitigation Likelihood / Impact**	**Mitigations and controls**	**Monitoring & reporting to Board**	**Post-mitigation Likelihood / Impact**
Underwriting (losses)	High	Experienced underwriters Robust underwriting process Risk tolerance limits based on risk appetite and capital Good knowledge of risk Good exposure and loss data Diversification of risk – eg line of business, geographic Each loss and aggregate limits Reinsurance	Underwriting reports	Medium
Investment risk – capital loss or illiquidity	High	Competent investment manager Minimum credit rating Counterparty limits Asset-liability matching of maturity profile	Investment performance & compliance reports Cashflow forecasts	Low
Credit risk – losses from failure of counterparties	Medium	Pre assessment of financial strength of banks and reinsurers Minimum credit rating Counterparty limits	Credit ratings and other market intelligence Compliance with counterparty limits	Low
Regulatory breaches	Medium	Compliance policies and procedures Staff training Compliance monitoring	Compliance report Annual CGC adherence review Internal audit report	Low

Data protection and cyber risk	High	Cyber Essential Plus accreditation Policies and procedures Staff training Compliance monitoring	Cyber Rules assessment Data protection impact assessment Compliance report Internal audit report	Low

The board will adopt the policies and procedures of the insurance manager where appropriate in respect of the controls, monitoring and reporting process that are identified in the risk register. Where the board needs to rely on the controls of other outsourced service providers such as the investment manager or claims handlers then it needs to engage with those service providers to ensure that it has properly assessed their control environment and understands the impact on its own risk profile.

The board will then receive regular reports at board meetings from the insurance manager, Compliance Officer, committees, investment manager, actuary, internal and external auditors and any other key service providers that have a part to play in the risk management of the company.

16.6 CONTROL FUNCTIONS – RISK MANAGEMENT, COMPLIANCE, ACTUARIAL, INTERNAL AUDIT

16.6.1. Principle A: 11

The insurer is required to have effective Control Functions with the necessary authority, independence, and resources.

16.6.2. Principle A:12

The insurer is required to have an effective risk management function capable of assisting the insurer to identify, assess, monitor, manage and report on its key risks in a timely way.

Section 16.5 outlines how the board uses the risk register and the policies and procedures of the insurance manager to provide an effective risk management function.

16.6.3. Principle A: 13

The insurer should have an effective compliance function capable of assisting the insurer to meet its legal and regulatory obligations and promote and sustain a corporate culture of compliance and integrity.

For managed companies, as discussed in an earlier unit, the board will usually appoint the Insurance Manager as Compliance Officer to support and monitor the compliance of the company with its legal and regulatory obligations, and the board will adopt the compliance policies and procedures of the Insurance Manager as the company's own.

A Compliance Report will be tabled by the Insurance Manager at each board meeting but any breaches of regulatory concern will be reported to the Board immediately.

The compliance function is considered in more detail in Unit 15.

16.6.4. Principle A:14

The insurer is required to have, or to have access to, an effective actuarial function capable of evaluating and providing advice to the insurer regarding, at a minimum, technical

provisions, premium and pricing activities, and compliance with related statutory and regulatory requirements. (This principle is not applicable to category 5 insurers - captives.)

The requirement to have access to an actuarial function is different to the requirement for long term insurers to have an approved actuary.

For commercial general insurers and reinsurers – Category 3 or 4 – the actuarial function may be not necessarily be delivered by a qualified actuary, but the function requires the ability to analyse data and provide recommendations to the board on premium pricing and reserving methodologies. These services may be provided by an external actuarial service provider, but they are often provided by the insurance manager who also advises on compliance with related statutory and regulatory requirements, or they can be provided by scheme administrators or an in-house team at Group level.

16.6.5. Principle A:15

The insurer is required to have, or to have access to, an appropriate and effective internal audit function capable of providing the board with independent assurance in respect of the insurer's governance, including its risk management and internal controls.

The board does not have to have a permanent internal audit function in place, but it must have access to an internal audit function that it can use in the event that it considers that an internal audit is appropriate. The need for an internal audit may be triggered by observations in the auditors' ISA 260 report, by an operational or reporting issue, e.g. incorrect or incomplete data being reported, or by matters of concern arising out of reviewing the accounts e.g. increasing debtors' balances or long-outstanding or volatile claims reserves. In any event the board will consider the need for an internal audit at least annually, probably when the external auditors' report is received.

The internal audit function for an insurer is often undertaken by the internal audit team of the shareholder group. The shareholder will often initiate the internal audit of its offshore insurance subsidiary as part of its rolling annual internal audit work plan and share the findings with the board for response and action if required.

Alternatively, an external audit firm may be engaged to carry out the work, or the insurance manager may provide an internal audit resource. This could be to conduct an internal audit of other key service providers such as claims handlers, or it may provide an individual or team from another part of the insurance manager's operation to conduct an internal audit on an aspect of the manager's own operations.

The board will agree an engagement letter or service level agreement with the internal audit team and the scope of the work to be undertaken should be clearly defined.

16.7 OUTSOURCING

16.7.1. Principle A:16

The insurer is required to retain at least the same degree of oversight of, and accountability for, any outsourced material activity or function (such as a control function) as applies to non-outsourced activities or functions.

The GFSC's Guidance Note for Licensed Insurers sets out the key principles that the board should apply to ensure that its outsourced service providers are competent and do not represent a risk to the effective operation of the company.

The board should therefore ensure that the service provider has adequate governance and controls, expertise and service capability, business continuity plans and financial viability so that the company's ability to manage its risks and business continuity and meet its legal and regulatory requirements are not adversely affected by using the service provider.

In addition to the insurance manager there will be other outsourced service providers such as third-party administrators, claims handlers and providers of key IT systems, which, if they are important to the efficient operation of the company's business, will also need to be appointed in accordance with the Outsourcing Guidance.

The board will need to have review and approval processes in place to assess the impact on the company's risk profile of any prospective outsourced service provider and a written service agreement covering all material aspects of the arrangements should be put in place.

The board remain responsible for ongoing oversight of functions or activities that are outsourced, and the outsourcing arrangements should be reviewed periodically - at least annually - to ensure that they are operating as intended with no change in the impact on the company's risk profile.

16.7.2. Principle A: 17

The board should carry out an annual review of the effectiveness of its corporate governance and internal controls.

The board will include in its annual schedule an agenda item to review of all the principles of the Code of Corporate Governance and consider if it has met them during the previous 12 months.

The General Representative will be required to confirm as part of the annual return that the directors have considered the effectiveness of their corporate governance practices and are satisfied with their degree of compliance with the Principles set out in the Code.

16.7.3. Principle A:18

The board should consider the impact of climate change on the insurer's business strategy and risk profile and, where appropriate in the judgement of the board, make timely climate change related disclosures

This is a recent addition to the Code of Corporate Governance which is effective for financial years starting from 1 October 2021.

It has been introduced by the Commission to ensure Bailiwick firms are preparing to engage with this issue in a way that is proportionate to the nature of their businesses, for example through client demand for more sustainable solutions or assessing the impact of climate change policies on their asset base.

Self-test questions

Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.

1. Should a director have a financial interest in any matter that the board is considering, what must that director do?

2. What committees of the board are commonly formed?

3. How many directors must be appointed?

4. What is the role of the independent director and how is independence determined?

5. Name three matters that you would expect to find considered within a Risk Register?

Summary of learning outcomes
Provide a basic explanation of the 18 principles in Appendix 3 of the GFSC's Finance Sector Code of Corporate Governance and how the board may apply them in practice.