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EXTRAORDINARY

The Government of the Republic of Liberia announces that the Central Bank of Liberia (CBL), pursuant to its mandate under the New Insurance Act of 2013, specifically section 12.1 of the Act has issued on March 23, 2016, Regulation NO. CBL/RSD/INS/006/2016 herein under:

REGULATION NO.CBL/RSD/ INS/006/2016 CONCERNING THE
GOVERNANCE, MANAGEMENT AND CONTROL OF INSURANCE COMPANIES

BY ORDER OF THE PRESIDENT

MARJON V. KAMARA
MINISTER OF FOREIGN AFFAIRS

MINISTRY OF FOREIGN AFFAIRS
MONROVIA, LIBERIA
MARCH 23, 2016

1.0 Introduction

Pursuant to its authority under Section 12.1 of the new Insurance Act of 2013, the Central Bank of Liberia (CBL) hereby prescribes and issues this regulation concerning Governance, Management and Control of insurance companies operating in Liberia, as follows:

2.0 Objectives

The objectives of this regulation are:

- a) to define minimum acceptable corporate governance standards for insurance companies, which must be adhered to by all licensed insurers;
- b) to promote higher ethical standards in the financial system; and
- c) to enhance public confidence in the financial system.

2.0 Directors of licensed insurer.

2.1 A licensed insurer shall have an adequate number of directors who:

- (a) are capable of exercising independent judgment;
- (b) as a board, have sufficient knowledge, skills, experience and understanding of the business of the licensed insurer, and the risks to which the licensed insurer is exposed, to ensure that the board is able to fulfill its responsibilities; and
- (c) have sufficient time and commitment to undertake their duties diligently.

2.2 Without limiting subsection 2.1, a licensed insurer shall, at all times, have:

- (a) at least five directors and at most seven directors; and
- (b) sufficient non-executive directors to ensure that more than half the members of the audit committee are non-executive directors, and at least one-third of the membership is non-executive directors.

2.3 The board of a licensed insurer shall include:

- (a) at least two directors who are citizens of Liberia; and
- (b) at least three directors who are resident in Liberia.

14. Have directors, officers and staff members not used their positions to further their personal interests?				
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- 2.4 A director who is both a citizen of, and resident in, Liberia may be counted for the purposes of subsection 2.3 paragraphs (a) and (b).
- 2.5 The Chief Executive Officer of a licensed insurer shall not be appointed, or act, as the Chairman of the insurer's board, but may be a member of Board.
- 2.6 If, at any time, a licensed insurer does not comply with this section, it shall:
- (a) immediately give the Authority written notice of its non-compliance; and
 - (b) within a period not exceeding twenty-one days from the date that it first failed to comply with subsection 2.2, submit to the Authority an application for approval to appoint sufficient directors to bring it back into compliance with the subsection concerned.
- 2.7 No one person shall hold the position of a director in more than one insurance company."

3.0 Responsibilities of Board.

- 3.1 The board of a licensed insurer has ultimate responsibility for the business and affairs of the insurer and for ensuring its effective organisation.
- 3.2 Without limiting subsection 3.1, the board of a licensed insurer has the following responsibilities:
- (a) establishing the insurer's business strategy, the insurer's risk management strategy and the level of risk that the licensed insurer is prepared to accept (the insurer's "risk appetite"), taking account of the need to ensure the long term financial soundness of the insurer;
 - (b) ensuring that it has effective oversight of the management of the insurer, including periodically reviewing and overseeing:
 - (i) the insurer's business objectives and strategy, including its risk strategy and risk appetite;
 - (ii) the insurer's corporate values;
 - (iii) the insurer's risk management strategy; and
 - (iv) such other strategies as are required by these Regulations or that the board considers to be necessary or appropriate;

- (c) setting or approving and periodically reviewing the significant policies of the insurer;
- (d) monitoring the management of the insurer by senior management in accordance with the strategies and policies established or approved by the board;
- (e) ensuring that:
 - (i) the insurer has adequate and sufficiently qualified and experienced senior managers and other employees;
 - (ii) the insurer has established the required key functions;
 - (iii) appropriate and effective procedures and controls are established, maintained and implemented for giving effect to the strategies and policies of the insurer, which shall include internal controls and procedures and controls with respect to risk management;
 - (iv) the insurer has adequate systems and controls to ensure that the financial statements and reports of the insurer are accurate and present a fair view of the financial condition of the insurer; and
 - (v) the insurer complies with its obligations under the Act, these Regulations and the anti-money laundering and terrorist financing legislation;
- (f) establishing clear and objective performance goals and measure for the insurer and for senior management and periodically monitoring performance against those goals and assessing their continued relevance and appropriateness;
- (g) ensuring that the insurer establishes and maintains policies relating to the engagement, dismissal and succession of senior management;
- (h) establishing standards for business conduct and ethical behavior for directors, senior management and other employees;
- (i) monitoring, and ensuring, the financial soundness of the insurer;
- (j) such other responsibilities as are specified in these Regulations.

3.3 The board of a licensed insurer shall:

- (a) ensure that the board has sufficient independent members, taking account of any independence criteria issued by the Authority;

competent officers to manage the operations of the institution.				
3. Has coordinated the operations of the various departments within the institution.				
4. Has established and maintained efficient and adequate internal control systems.				
5. Has designed and implemented the necessary management information system.				
6. Has ensured that the institution has complied with all the relevant laws and regulations applicable to its operations.				
7. Has ensured that the board has been frequently and adequately informed about the operations of the institution through presentation of relevant board papers, which must cover, but not limited to, the following areas:				
1) Actual performance compared with the past performance.				
2) Capital adequacy and margin of solvency.				
3) Performance of the investment portfolio				
4) Income and expenses				
5) All transactions with connected persons.				
6) Report on non-compliance with laws and regulations.				
7) Large exposures				
8) Reports from internal and external auditors and the Board Audit Committee				
Management				
Major Duties and Responsibilities of Management				
1. Has implemented and adhered to the policies, practices and standards as laid down by the Board of Directors				
2. Has implemented systems that have been established to facilitate efficient operations and communications.				
3. Has a formal planning process that has been developed to facilitate achievement of targets and objectives.				
4. Has adhered to the established code of conduct and with all the relevant laws and regulations.				
5. Has maintained the adequate records to comply with all the reporting requirements.				

6. Has included corporate governance compliance status report in the audited financial statements.				
V. CODE OF CONDUCT				
1. Has no director or officer engaged directly or indirectly in any business activity that competes or conflicts with the institution's interest?				
2. Where a director or officer has a financial interest in a transaction did such director or officer discloses such an interest immediately to the management?				
3. Has no officer or staff member conducted business other than the institution's business during office hours?				
4. Has no staff member served as a director of another corporation without approval of the Board of Directors?				
5. Has no director, officer or staff member used the institution's name or facilities for personal advantage in political, investment or retail purchasing transactions?				
6. Has no director, officer or staff member used their connection with the institution to obtain preferential treatments for themselves or for their relatives?				
7. Has no director, officer or staff members misused any information obtained by virtue of employment or connection with the institution?				
8. Have accounting records and reports been complete and accurate and the integrity of records and transactions been ensured?				
9. Has confidentiality of relations and dealings between the institution and its customers been held as paramount in maintaining the institution's reputation?				
10. Have directors, officers and staff members taken precaution to protect the confidentiality of customers' information and transactions?				
11. Have all directors, officers and staff members acted honestly, in good faith and with loyalty to the best interest of the institution?				
12. Have all business dealings on behalf of the institution been conducted fairly and equitably?				
13. Are all decisions made strictly on an arms-length basis and those preferential transactions with connected persons been avoided?				

(b) establish and periodically review governance procedures for the board; and

(c) periodically review its own performance.

3.4 Subsections 3.1 to 3.3 apply, notwithstanding that these Regulations may require the establishment of a specific function.

3.5 Where the board is required to review any matter periodically under this section, it shall review the matter at least annually.

4.0 Responsibilities of Senior Management.

4.1 The senior management of a licensed insurer is responsible for:

(a) overseeing the operations of the licensed insurer and providing direction to it on a day-to-day basis in accordance with the strategy and policies established by the board;

(b) providing the board with recommendations, for its review and approval on the licensed insurer's strategy, business plans and significant policies; and

(c) providing the board with timely and accurate information, including financial information, that is adequate to enable the board to fulfill its responsibilities, including holding senior management to account.

4.2 Senior managers shall ensure that they promote a culture of sound risk management, compliance and the fair treatment of policyholders and potential policyholders.

5.0 Licensed insurer with overseas subsidiaries.

Where a licensed insurer carries on business through one or more subsidiaries incorporated outside Liberia, an appropriate and effective corporate governance framework must be established, maintained and implemented in each subsidiary.

6.0 Establishment of policies, procedures and controls.

6.1 A licensed insurer shall:

(a) establish a risk management strategy, a reinsurance strategy and such other strategies, policies, procedures and controls, as are appropriate given the nature, size and complexity of its business and the degree of risk associated with each area of its business; and

(b) ensure that the strategies, policies, procedures and controls established in accordance with paragraph (a) are fully and clearly

documented and are communicated, as appropriate, to senior managers and other relevant employees and to key functionaries.

6.2 The strategies, policies, procedures and controls of a licensed insurer shall specify the duties and responsibilities of the board and senior management, including such responsibilities and duties as are imposed on the board and senior management by the Act and these Regulations.

6.3 The board of a licensed insurer is responsible for:

- (a) ensuring that a licensed insurer complies with subsection 6.1;
- (b) monitoring the effectiveness and implementation of the risk management and other strategies, policies, procedures and controls that the insurer establishes; and
- (c) periodically reviewing the insurer's risk management and other strategies, policies, procedures and controls.

6.4 The senior management of a licensed insurer is responsible for ensuring that, insofar as it is necessary for them to perform their duties, all employees of the licensed insurer:

- (a) are made aware of and understand the risk management and other strategies, policies, procedures and controls established and maintained by the licensed insurer; and
- (b) are provided with information concerning the licensed insurer and its business.

6.5 Where a licensed insurer is part of a group, the strategies, policies, procedures and controls required by this Act and these Regulations shall include group-wide strategies, policies, procedures and controls.

7.0 Risk management.

7.1 The board of a licensed insurer shall ensure that the insurer's risk management strategy, policies and procedures cover:

- (a) the risks specified in section 72 subsection 3 of the Act; and
- (b) such other risks as the board may identify as material risks in accordance with subsection 2.

7.2 The board shall determine whether, given the nature, size and complexity of its insurance business, any risks not specified in section 7.2 subsection 3 of the Act, including:

- (a) contagion risk;

management raised during meetings conducted by other committees.				
12. Has reviewed all transactions with connected persons				
Asset & Liability Committee (ALCO)				
Mandate of ALCO				
1. The ALCO has assisted the board to formulate a consistent mix of assets and liabilities for the company.				
2. The ALCO has ensured that the financial institution has set aside assets to cover its liabilities.				
3. The ALCO has ensured that all strategies conform to the goals of the Risk Management Committee				
Responsibilities of Asset and Liability Committee (ALCO)				
1. Has formulated the most appropriate strategy for the financial insurance in terms of mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate and foreign exchange.				
2. Define the risk tolerance limit of the bank as it relates to the asset composition of the bank, including its loan assets, investments and trading position.				
Risk Management Committee				
Mandate of Risk Management Committee				
1. The Risk Management Committee has assured itself that Management has identified the company's principal risks and implemented systems to enable, to measure and adequately manage them.				
2. The Risk Management Committee has assured itself of the integrity and effectiveness of the financial institution's risk systems.				
3. The Risk Management Committee has assured itself that the integrated risk management activities have a sufficient degree of independence, sufficient status and visibility and that they have been subject to periodic reviews.				
Responsibilities of Risk Management Committee				
1. Has ensured quality, integrity and reliability of the financial institutions' risk management system.				

2. Has assisted the board of directors in the discharge of its duties relating to corporate accountability and associated risks.				
3. Has reviewed and assessed the integrity and effectiveness of the risk management systems.				
4. Has ensured that all material risks are identified, measured, monitored and reported.				
5. Has set out the nature, role responsibility and authority of the risk management function of the financial institution and outlined the scope of risk management work.				
6. Has monitored external developments relating to the practice of corporate accountability.				
Credit Committee				
Mandate of Credit Committee				
1. Review and oversee the overall lending policy of the banking institution				
2. Deliberate and consider loan applications beyond the discretionary limits of the Risk Management Committee;				
3. Direct the formulation of, review and monitor the credit principles and policies of the banking institution;				
Responsibilities of Credit Committee				
1. Has reviewed and consider loan applications exceeding the minimum set by the Board of Directors from time to time.				
2. Has ensure that there are effective procedures and resources to identify and manage irregular problem credits, minimize credit loss and maximize recoveries;				
3. Has review and oversee the overall lending policy of the banking institution from time to time;				
Management				
1. Managing Director/Chief Executive Officer				
Major duties and responsibilities of Managing Director/Chief Executive Officer				
1. Has ensured that the policies spelt out by the board in the institution's overall corporate strategy have been implemented;				
2. Has identified and recommended to the board				

- (b) related party risk;
 - (c) pricing and product design risk, and
 - (d) reinsurance risk
- are material risks.

7.3 The risk management strategy, policies, procedures and controls shall:

- (a) set the level of risk that the licensed insurer is prepared to accept for each type of risk and, where appropriate, authority levels for employees;
- (b) be approved, and reviewed periodically by the board; and
- (c) be fully and clearly documented and effectively communicated and readily available to the directors and to those senior managers and other employees, and key functionaries who have responsibility for implementing them.

7.4 The board and senior management are responsible for:

- (a) ensuring that they understand all the risks to which the licensed insurer is exposed in its business;
- (b) assessing the resources required for an appropriate risk management system, including accurate and reliable management information and reporting procedures, and for ensuring that the required resources are available; and
- (c) overseeing the implementation of the licensed insurer's risk management strategy, policies, procedures and controls.

7.5 Without limiting this section, the risk management procedures and controls of a licensed insurer shall:

- (a) enable the licensed insurer to monitor the adequacy and effectiveness of:
 - (i) its risk management strategy and policies and their implementation; and
 - (ii) measures taken to address any deficiencies identified in the risk management strategy, policies, procedures and controls; and
- (b) ensure that any exceptions to the licensed insurer's risk management strategy and policies are reviewed and authorized by senior management and, where appropriate, the board.

8.0 Business continuity plans.

8.1 A licensed insurer shall establish a business continuity policy, and put business continuity arrangements in place, aimed at ensuring that, in the event of an unforeseen interruption or disruption:

- (a) the licensed insurer is able to continue to carry on its insurance business and to meet its obligations under the Act, these Regulations and the anti-money laundering and terrorist financing legislation;
- (b) losses to its functions, systems and data are limited and any losses may be recovered in a timely manner; and
- (c) where the severity of the interruption or disruption results in the licensed insurer ceasing its insurance business, or any part of it, it is able to resume its business in a timely manner.

8.2 The business continuity policy and arrangements shall be:

- (a) appropriate for the nature, size and complexity of the licensed insurer's business and its risk profile; and
- (b) regularly reviewed and tested, and updated as required.

8.3 Without limiting subsections 8.1 or 8.2, the interruptions and disruptions covered by the business continuity plan and arrangements shall include:

- (a) the loss or failure of internal and external resources, including human resources, systems and other assets;
- (b) the loss or corruption of data and other information; and
- (c) external events, such as criminal acts, weather events and other natural disasters.

9.0 Underwriting and pricing strategy, policies, procedures and controls.

9.1 A licensed insurer shall establish and maintain:

- (a) an underwriting and pricing strategy and policies; and
- (b) procedures and controls that are sufficient to ensure that the underwriting and pricing strategy and policies are effectively implemented.

9.2 Without limiting subsection 9.1(a), the underwriting and pricing policies shall provide for:

Appointments to the Board				
1. Have there been formal, rigorous and transparent procedures for the appointment of a new director?				
2. Have all appointment to the Board been based on merit and against subjective criteria?				
3. Have careful deliberations and consideration been done to ensure that all appointees have enough time for the job?				
4. Has it been ensured that no individual shareholder with a significant shareholding has been appointed as a Chairman of the Board of Directors?				
5. Has it been ensured that no two members of the same extended family have occupied the position of Chairman and that of Chief Executive Officer or Executive Director of the institution at the same time?				
6. Have all resignations and/or removals in the board of directors been reported to the Authority within seven (7) days?				
Self-Assessment/Evaluation				
1. Has this self-assessment/evaluation of the performance of the Board, individual directors and board committees been done in a formal and rigorous manner?				
2. Has this self-assessment/evaluation been conducted annually and was it disclosed to the shareholders?				
3. Has the Managing Director/CEO submitted a copy of this evaluation/self-assessment to the Central Bank on time (by 31 st January of every year)				
III. BOARD COMMITTEES				
Mandate of the board committees				
1. The Board committees have assisted the board and its directors in discharging their duties and responsibilities				
2. There has been a formal procedure for certain functions of the board to be delegated.				
3. Independent directors have played an important role in board committees.				
Structure of the Board Committees				
1. Consists of not less than three (5) members.				
2. The Chairperson of the Board does not chaired any committee				

Board Audit Committee				
Effective Constitution				
1. The Chairman is an independent director				
2. Has at least (2) independent directors				
3. The members are conversant with financial and accounting matters.				
4. The Board Chairperson is not a member of the Audit Committee.				
5. The Chief Executive Officer is not a member of the Audit Committee.				
6. Membership of the Audit Committee has been disclosed in the annual report.				
Responsibilities of Board Audit Committee				
1. Has ensured that the accounts are prepared in a timely and accurate manner.				
2. Has reviewed internal controls, including the scope of the internal audit program, the internal audit findings, and recommended actions to be taken by management.				
3. Has reviewed internal audit reports and their overall effectiveness.				
4. Has reviewed coordination between the internal audit function and the external auditors.				
5. Has nominated external auditors for appointment by shareholders.				
6. Has reviewed and monitored the external auditors' independence and objectivity, taking into consideration relevant professional and regulatory requirements.				
7. Has reviewed the external auditors audit plan, their evaluation of the internal control systems, their required assistance from management and staff, and their recommended actions to address audit findings.				
8. Has reviewed management reports and reports from internal and external auditors concerning deviations and weaknesses in accounting and operational controls.				
9. Has ensured that external and internal auditors have free access to the Board Audit Committee				
10. Has reviewed the institution's compliance plan, with specific reference to the procedures for identifying regulatory risks and controlling their impact on the institution.				
11. Has considered all significant issues regarding risk				

- (a) the evaluation of risks underwritten or to be underwritten;
- (b) the establishment of adequate premium levels;
- (c) the mitigation and diversification of risks by:
 - (i) defining limits on the amount of risk retained; and
 - (ii) providing for the transfer of appropriate levels of risk away from the insurer through adequate and appropriate reinsurance arrangements made in accordance with the provisions of the Act and these Regulations.

9.3 Without limiting subsection 9.1(b), the procedures and controls shall include controls of expenses related to premiums and claims.

9.4 The underwriting and pricing strategy and the significant underwriting and pricing policies shall be approved, and reviewed periodically by the board.

9.5 Senior management shall monitor the procedures and controls established in accordance with subsection 9.1(b) on an ongoing basis.

10.0 Remuneration Policy.

10.1 The board of a licensed insurer shall:

- (a) establish a remuneration policy and ensure that the remuneration is periodically reviewed;
- (b) consider whether it would be appropriate to establish a remuneration committee and, if it considers appropriate, establish a remuneration committee.

10.2 The remuneration policy shall:

- (a) not include incentives that are likely to cause imprudent, unnecessary, inappropriate or excessive risk-taking;
- (b) take full account of the insurer's business objectives and the long term financial soundness of the insurer;
- (c) not include incentives that are likely to result in the unfair treatment of policyholders or potential policyholders; and
- (d) shall cover the remuneration of directors, senior managers and any other employees who, in discharging their responsibilities, may have a material impact on the insurer's risk exposure.

5. To establish clear lines and limits of authority for all levels of staff and to deal with any infringement of such in a serious manner.				
The board of directors has undertaken the following responsibilities:				
1. Has reviewed and adopted the company's strategic plans.				
2. Has overseen the proper conduct of the company's business.				
3. Has identified and implemented the appropriate risk management system for the institution.				
4. Has approved corporate policies in the core areas of operations of the institution.				
5. Has drawn up a formal charter that sets out its roles and responsibilities.				
6. Has sought clearance/approval from the Authority for each director prior to taking the director's position.				
7. Has formulated a management succession plan, business continuity plan and disaster recovery plan.				
8. Has established and reviewed internal control systems, internal audit function and management information systems for the institution.				
9. Has ensured that the internal auditor has put in place an audit charter, an audit manual and comprehensive set of internal control questionnaires to help establish and maintain the best possible internal control environment within the institution.				
10. Has ensured that internal auditor reports with management's comments are issued after each audit and copies of which are submitted to the Board Audit Committee and the Authority				
11. Has defined the duties of management and appointed those persons who were competent, qualified and experienced to administer the institution's affairs.				
12. Has dispensed with the services of staff considered undesirable.				
13. Has established clear lines and limits of authority for all levels of staff.				
14. Has submitted any change in policies and systems to the Authority.				
15. Has established a Board Audit Committee and other committees.				
16. Has set up an independent Compliance Function and appointed a Compliance Officer.				

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14. Has submitted any change in policies and systems to the Authority.				
15. Has established a Board Audit Committee and other committees.				
16. Has set up an independent Compliance Function and appointed a Compliance Officer.				

17. Has ensured that the licensed insurance company maintains an adequate level of capital base and solvency margin at all times with respect to the New FIA of 1999 and or any directives or regulations that may be issued.				
18. Has informed the shareholders of the institution's capital adequacy and margin solvency and advised them on the appropriate manner of increasing their levels when necessary.				
19. Has obtained a working knowledge of all applicable laws, regulations, guidelines and directives affecting the institution.				
20. Has ensured that the Compliance Function has provided training of personnel in these matters.				
21. Has reviewed the Authority's supervision reports and auditors' reports and also ensured implementation of all recommendations made.				
22. Has obtained information about the business condition and performance of the institution on a regular basis.				
23. Has conducted board meetings regularly to discharge its duties and functions.				
24. Has exercised independent judgment collectively and individually in evaluating the performance of the management.				
25. Has ensured that every member of the board has attended at least 75% of the board meetings of the institution in any financial year.				
26. Has ensured that the institution's Annual Report includes:				
a. The operation and various decisions made by the Board.				
b. The attendance of board members				
c. Number of meetings.				
Constitution of and Effective Board				
1. Has ensured compliance with the required number of (at least 5) board members.				
2. Has ensured separation of role and functions for Chairman and Chief Executive Officer.				
Multiple Board Seats				
1. Has ensured that no person holds the position of a director in more than one licensed insurance company.				

- (g) the board and senior management is able to identify and regularly assess all relevant risks in the conduct of the licensed insurer's business, so that:
 - (i) identified risks can be measured, monitored and controlled appropriately; and
 - (ii) any losses can be monitored and controlled on a regular and timely basis.
- (h) the board and senior management are able to properly guard against involvement in financial crime and ensure that the licensed insurer is complying with the anti-money laundering and terrorist financing legislation;
- (i) adequate business resumption, disaster recovery and other contingency arrangements are in place and tested at appropriate intervals; and
- (j) adequate controls are in place in relation to information technology systems, including controls relating to access to databases, to ensure that the insurer's employees have access only to records where required for their roles and function, and changes to systems and records, to ensure that only valid changes are made to them.

11.3A licensed insurer shall ensure that its internal controls extend to any outsourced activities.

11.4 Where a licensed insurer also operates through branches and subsidiaries, its internal control systems must extend to those operations and enable effective oversight by the licensed insurer.

12.0 Responsibilities of Board and Senior Management in relation to internal controls.

12.1 The board of a licensed insurer has ultimate responsibility for ensuring that an adequate and effective system of internal controls is established and maintained by the licensed insurer.

12.2 Without limiting subsection 1, the board of a licensed insurer shall:

- (a) approve an appropriate organizational structure for the licensed insurer;
- (b) approve new products and major risk management initiatives;
- (c) ensure that senior management is monitoring the effectiveness of the licensed insurer's internal control system; and

(d) monitor the licensed insurer's market conduct activities.

12.3 The senior management of a licensed insurer have responsibility for:

- (a) implementing the strategy and policies of the board with respect to internal controls;
- (b) ensuring that:
 - (i) the internal controls required under these Regulations are established and maintained;
 - (ii) the required information systems are put in place; and
 - (iii) the internal controls are monitored and deficiencies corrected; and
- (c) reviewing the licensed insurer's internal controls, at least annually, and reporting on the results of their review to the board.

13.0 Monitoring of internal control systems and correcting deficiencies.

13.1 A licensed insurer shall ensure that:

- (a) the effectiveness of the internal control system is monitored on an on-going basis;
- (b) regular reports on the effectiveness of the internal control system are made to the board; and
- (c) any deficiencies identified in the internal control system are corrected as soon as reasonably practicable.

13.2 A licensed insurer's internal control policies shall require any deficiencies identified in the internal control system to be reported in a timely manner to senior management and for material internal control deficiencies identified to be reported to the board, notwithstanding that they may have been corrected.

14.0 Information systems.

14.1 A licensed insurer shall have in place reliable and secure information systems that cover all the significant activities that it carries on and, where appropriate, that enable the licensed insurer to measure, assess and report on the size, composition and quality of its exposures.

14.2 A licensed insurer's information systems shall be supported by adequate contingency arrangements.

Risk that firms find it difficult/costly to monitor outsourcing performance.

Exit Strategy Risk:

The risk that appropriate exit strategies are not in place which could arise from over-reliance on one service provider, the loss of relevant skills in the licensed insurer itself preventing it bringing the activity back in-house, and contracts which make a speedy exit prohibitively expensive.

Limited ability to return services to home country due to lack of staff or loss of intellectual history.

Counterparty Risk:

Inappropriate underwriting or credit assessments.

Quality of receivables may diminish.

Country Risk:

Political, social and legal climate may create added risk.

Business continuity planning is more complex.

Contractual Risk:

Ability to enforce contract.

Access Risk:

Outsourcing arrangement hinders ability of licensed insurer to provide timely data and other information to Authority.

Additional layer of difficulty in regulator understanding activities of the service provider.
Overall industry has significant exposure to outsource provider.

Concentration and Systemic Risk:

Concentration risk has a number of facets, including:

- (a) Lack of control of individual firms over provider; and
- (b) Systemic risk to insurance sector, or wider financial sector.

APPENDIX II

A. SELF ASSESSMENT QUESTIONNAIRE ON CORPORATE GOVERNANCE FOR LICENSED INSURANCE COMPANIES

	YES	NO	NA	Remarks/Explanation
I. SHAREHOLDERS				
1. Have appointed a competent and dedicated board of directors.				
2. Have jointly and severally protected, preserved and actively exercised supreme authority through their general meetings.				
3. Have ensured that only credible persons of good standing in society have been elected or appointed to the board of directors.				
4. Have ensured that, in general meetings and related forums, the board is constantly held accountable and responsible for the efficient and effective governance of institution.				
5. Have changed the composition of a board of directors that does not perform to expectation or in accordance with the mandate of the institution.				
II. BOARD OF DIRECTORS				
The board of directors has performed the following tasks:				
1. To lead the institution and to oversee the conduct of the institution's business to ensure that the business is being properly managed and that dealing with stakeholders are fair and equitable.				
2. To set the institution's strategic aims and to provide clear objectives and policies within which senior executive officers are to operate.				
3. To put in place policies and systems capable of promptly identifying, measuring, assessing, reporting and controlling both financial and non-financial risks of the institution.				
4. To set the institution's corporate values and standards.				

15.0 Appointment of Responsible Officer.

15.1 Unless the duties of a key function are to be undertaken wholly by a key functionary, a licensed insurer shall appoint a senior employee to:

- (a) undertake the duties of the function; or
- (b) if the duties of the function are to be undertaken by more than one employee, whether or not in conjunction with a key functionary, to have overall responsibility for, and oversight of, the key function.

15.2 A person shall not be appointed to undertake, or be responsible for, a key function without the approval of the board or, where a committee of the board has responsibility for the function, with the approval of that committee.

16.0 Authority, independence and resources of key functions.

16.1 The board shall ensure that each key function:

- (a) possesses sufficient independence to undertake the duties of the key function objectively and, in particular, is not:
 - (i) involved in the performance of services or activities that it is responsible for monitoring;
 - (ii) placed in a position where it is expected to undertake duties that conflict with its duties as key function; or
 - (iii) subjected to any undue influence or pressure with respect to the carrying out of its duties as key function;
- (b) is given sufficient status within the licensed insurer to ensure that senior management and the board react to, and act on, the function's recommendations;
- (c) has such access as is required to undertake its duties as key function effectively to:
 - (i) every employee and service provider of the licensed insurer and, where appropriate, to the board, the audit committee and the internal audit function; and
 - (ii) documents and information relating to the business of the licensed insurer and its policyholders;
- (d) has sufficient:
 - (i) human resources with adequate professional qualifications, relevant experience and training;

(ii) non-human resources, including information technology and management information systems,

to undertake the duties of the function effectively.

16.2 The authority and responsibilities of each key function, and the responsible officer, shall be set out in writing.

16.3 The board shall periodically assess the performance of each key function.

16.4 The person having responsibility for a key function shall oversee, direct and be responsible for the performance by the key function of its responsibilities.

17.0 Risk Management Function.

17.1 The principal duty of the risk management function is to assist the licensed insurer to identify, assess, monitor, manage and report on its key risks in a timely manner.

17.2 A licensed insurer shall require the responsible officer or, where the duties of the key function are wholly outsourced to a key functionary, the key functionary, to report to the board on any matter that may have an adverse material impact on the risk management system of the insurer, as soon as reasonably practicable after the matter has been identified.

18.0 Compliance Function.

18.1 The principal duties of the compliance function are:

(a) to assist the licensed insurer to meet its legal and regulatory obligations under:

(i) the Act and these Regulations;

(ii) the anti-money laundering and terrorist financing legislation; and

(iii) any other relevant legislation; and

(b) to promote and sustain a compliance culture within the insurer.

18.2 The responsible officer for the compliance function shall report directly to the board.

18.3 For the purposes of subsection 1, the compliance function shall prepare, or approve, a compliance procedures manual for the insurer.

33.3 The Board is required to examine its size with a view to determining the impact of the number upon effectiveness and discharge of its oversight responsibilities. It should consider the scope and nature of the operations of the licensed insurer and facilitate effective decision making. Accordingly, the minimum size of a Board shall be five (5) members and a maximum size of fifteen (15) members. The board should at all times have odd number members to break ties to ensure effective decision-making;

33.4 At least two-third of the directors shall possess demonstrable expertise and experience relevant to the functions of the licensed insurer and the principal issues that face the licensed insurer;

33.5 Beside the CEO or its equivalent position, the remaining members of the board shall be non-executive board members, not less than one-third of whom shall be independent board members who are appointed based on merit and do not represent any particular shareholder's interest or hold special business interest in the licensed insurer; and

33.6 No less than two-third of the Board members must reside in Liberia and be able to form a quorum for any meeting including emergency Board meetings.

34.0 Appointment of a Chairman of the Board

34.1 The Chairperson of the Board must be a non-executive director;

34.2 The Chairman of the Board shall not chair any board committee; and

34.3 No two members of the same family shall be allowed to occupy the position of of Chairman and Chief Executive Officer or a senior management position of a licensed insurer at the same time. Family means husband, wife, siblings; parents and brother and sister of both husband and wife, and children.

APPENDIX I

PRINCIPAL OUTSOURCING RISKS

Strategic Risk:

The third party may conduct activities on its own behalf which are inconsistent with the overall strategic goals of the licensed insurer.

Failure to implement appropriate oversight of the outsource provider.

Inadequate expertise to oversee the service provider.

Reputation Risk:

Poor service from third party.

Customer interaction is not consistent with overall standards of the licensed insurer.

Third party practices not in line with stated practices (ethical or otherwise) of licensed insurer.

Compliance Risk:

Licensed insurer's obligations under the Act or these Regulations or any relevant anti-money laundering and terrorist financing legislation contravened.

Service provider has inadequate compliance systems and controls.

Operational Risk:

Technology failure.

Inadequate financial capacity to fulfill obligations and/or provide remedies.

Fraud or error.

18.4 A licensed insurer shall require the responsible officer for the compliance function to report to the chair of the board, as soon as reasonably practicable:

- (a) any material non-compliance by a member of management; and
- (b) any material non-compliance by the insurer with a regulatory obligation or an obligation under the anti-money laundering and terrorist financing legislation if the compliance function is of the opinion that:
 - (i) senior management are not taking the necessary remedial action; and
 - (ii) a delay would be prejudicial to the insurer or its policyholders.

18.5 The compliance function shall, on behalf of a licensed insurer:

- (a) maintain a register of compliance breaches containing information on the date, nature and extent of each compliance breach;
- (b) ensure that the employees of the insurer are aware of the need for and the objectives of compliance and of their responsibilities under the compliance procedures manual;
- (c) establish and maintain procedures for the monitoring and handling of complaints; and keeping the complaints procedures under review.

19.0 Internal Audit Function.

19.1 The principal duties of the internal audit function are:

- (a) assessing whether the licensed insurer's existing risk management strategy, policies, procedures and controls and its internal controls remain sufficient, effective and appropriate for the licensed insurer's business;
- (b) assessing whether the licensed insurer's risk management strategy, policies, procedures and controls and its internal controls, are being implemented and complied with;
- (c) assessing whether the procedures and controls for monitoring and assessing the on-going capital and solvency requirements of the licensed insurer are effective and are being implemented;
- (d) assessing the reliability, integrity and completeness of the accounting, financial reporting, management information and information technology systems;

- (e) periodically reviewing the risk management function; and
- (f) periodically reviewing the compliance function; and
- (g) monitoring the insurer's information systems.

19.2 The responsibilities specified in subsection 19.1 shall extend to all the activities of the licensed insurer, including outsourced activities, and where the licensed insurer has established branches or subsidiaries, to those branches and subsidiaries.

19.3 The internal audit function shall be subject to independent review by the audit committee and the licensed insurer's external auditor.

19.4 The internal audit function shall be independent from the management of the licensed insurer and shall not, in any way, be involved in the operation of the insurer's business and shall report directly to the board through the responsible officer for the function.

19.5 The person having responsibility for the internal audit function shall report directly to the board.

19.6 The internal audit function shall be given the authority, for the purposes of fulfilling its responsibilities, to:

- (a) undertake, on the internal audit function's initiative, a review of any department, unit or function;
- (b) require management to respond to any internal audit report, including on remediation or mitigation plans;
- (c) refuse to carry out any task requested by the senior management if the internal audit function considers that it is inconsistent with its functions.

20.0 Internal audit reports to be submitted to Authority.

20.1 A licensed insurer shall:

- (a) within 21 days after the last day of each calendar year, provide the Authority with a list of reports that have been prepared by the internal audit function during that calendar year, with a summary of the areas covered by each report; and
- (b) on the written request of the Authority, submit to the Authority copies of such internal reports as are specified in the Authority's request, within the time period specified in the request.

regulatory obligations and its compliance with the anti-money laundering and terrorist financing legislation.

28.3 A licensed insurer shall:

- (a) maintain its records at its principal place of business in Liberia;
- (b) if its records are maintained in electronic form, ensure that they can be readily retrieved and accessed and read at a computer terminal and produced in legible form and in the English language without delay; and
- (c) ensure that its records are kept up to date and that a full audit trail is maintained of all changes to its records.

29.0 Retention of records.

29.1 A licensed insurer shall establish a record retention policy which shall include:

- (a) the period of time for which various types of record will be retained, which shall be no less than the minimum period specified in subsection 2;
- (b) how records are to be securely and safely stored; and
- (c) the process by which stored records can be readily accessed when required by the licensed insurer, the Authority, law enforcement agencies or other persons entitled to access them.

29.2 Subject to a requirement of any other legislation to retain records for a longer period, a licensed insurer shall retain all records that it is required to maintain under these Regulations for a period of at least six years.

29.3 In the case of records relating to transactions with a policyholder, the six-year period shall commence on the termination of the licensed insurer's relationship with the policyholder.

29.4 A licensed insurer shall not, without the written consent of the Authority and whether before or after the expiration of the retention period, alter, destroy or erase any record which is, or may be, relevant to any enforcement action being taken by the Authority or to any matter which is being investigated by the Authority or any law enforcement authority in Liberia.

30.0 Board of Directors Evaluation

30.1 A licensed insurer shall undertake a formal and rigorous evaluation or self-assessment of the performance of the full board, individual directors and board committees using the form set out in Appendix II.

30.2 The evaluation or self-assessment shall be conducted annually and the findings disclosed to the shareholders. The Managing Director (Chief Executive Officer) shall submit a copy of such evaluation/self-assessment to the Central Bank not later than 31st January of each subsequent year.

31.0 Tenure of Senior Management and Board members

31.1 No person shall serve as Chief Executive Officer or Deputy Chief Executive Officer of any licensed insurer for more than ten (10) consecutive years or as an independent board member of any licensed insurer for more than seven (7) years, except in the case of the CEO or deputy CEO.

31.2 In keeping with subsection 31.1 above, no retired CEO, deputy or board member shall be allowed to provide service to a related financial institution for a period of three years after retirement, following which such person may provide any service(s) to any financial institutions; and

32.3 The licensed insurer shall be required to develop the appropriate retirement package commensurate with the above mentioned positions

33.0 Composition of the Board

33.1 The Board of Directors of a licensed insurer must comprise of members with diversified backgrounds, whose overall competencies and experiences will provide proper oversight. Some Board members will likely be controlling shareholders of a licensed insurer; however, substantial active participation by non-executive directors is essential if the Board is to be effective;

33.2 In order to promote effective and independent board oversight, only the chief executive officer (CEO) or an equivalent position of a licensed insurer shall serve on the board, until otherwise advised by the Central Bank;

21.0 Board Committees

21.1 A licensed insurer shall at all times have the following board committees:

- (a) audit committee;
- (b) investment committee;
- (c) risk management committee; and
- (d) such other committees as the board considers appropriate under subsection 21.5.

21.2 The audit committee, the investment committee, the risk management committee and any other committees:

- (a) are committees of the board; and
- (b) shall be comprised solely of directors.

21.3 The majority of the directors of the audit committee shall be independent non-executive directors.

21.4 At least one of the directors of the investment committee shall be an independent non-executive director with adequate qualifications or experience in investment management.

21.5 The board should consider whether, taking account of the nature, diversity and complexity of the insurer's business, it is appropriate to establish other committees to assist it in the effective discharge of its responsibilities.

21.6 The board shall ensure that the primary responsibilities of each committee are provided to each committee member in writing.

22.0 Investment Committee.

22.1 The function of the investment committee is to formulate the insurer's investment policy and to issue guidelines to management.

22.2 The principal objective of the investment committee is to secure the safety, yield and marketability of the company's investments, which the committee shall also ensure are diversified and adequately spread in accordance with these Regulations.

23.0 Responsibility for outsourced activities.

23.1 Where a licensed insurer outsources a function or activity, the insurer:

(a) shall oversee the performance of the function or activity by the service provider; and

(b) remains responsible for:

(i) the performance of the function or activity by the service provider; and

(ii) any failure by the service provider in relation to the performance of the function or activity.

23.2 A licensed insurer shall not outsource:

(a) the compliance function;

(b) the internal audit function; or

(c) any function or activity if the outsourcing of that function or activity would:

(i) impair the Authority's ability to supervise the insurer; or

(ii) affect the rights of a policyholder or potential policyholder against the insurer, including the right to obtain legal redress.

23.3 A licensed insurer shall not outsource the risk management or actuarial function without the prior written approval of the Authority.

24.0 Outsourcing of material functions or activities.

24.1 A licensed insurer shall not enter into an outsourcing arrangement in relation to a material function or activity unless:

(a) the board of the insurer has:

(i) undertaken an assessment of the outsourcing risk;

(ii) satisfied itself as to the expertise and experience of the service provider;

(iii) satisfied itself that the charges, fees and costs payable under the outsourcing agreements are reasonable given the activities to be undertaken by the service provider under the agreement and are affordable given the insurer's current and likely future income and costs;

(iv) taking full account of the matters specified in subparagraphs (i), (ii) and (iii), approved the outsourcing arrangement; and

(v) ensured that the outsourcing will be subject to appropriate controls;

- (b) the insurer has established an outsourcing policy with respect to the functions or activities to be outsourced;
- (c) the insurer has given the Authority not less than two week's notice of its intention to do so.

25.0 Outsourcing policy.

25.1 The outsourcing policy established under section 25.2 paragraph (b) of these Regulations shall:

- (a) consider the potential effects of outsourcing on the compliance function;
- (b) include an evaluation of whether, and the extent to which, the relevant activities are appropriate for outsourcing;
- (c) set out the internal review and approvals required;
- (d) specify criteria for making outsourcing decisions, including how, and to whom, particular types of relevant activities shall be outsourced; and
- (e) provide for outsourcing only as permitted by, and in accordance with, these Regulations.

25.2 The board of a licensed insurer:

- (a) shall approve the licensed insurer's outsourcing policy and keep it under review; and
- (b) is responsible for ensuring that any outsourcing arrangements are put in place and operated in accordance with the licensed insurer's outsourcing policy.

25.3 In subsection 25.2, the "relevant activities" are the functions or activities to be outsourced.

26.0 Managing outsourcing risks.

26.1 A licensed insurer that outsources any activities shall establish and maintain appropriate and adequate procedures and controls to manage its outsourcing risk.

26.2 Without limiting subsection 26.1, the outsourcing management risk systems and controls shall:

- (a) provide for the monitoring and controlling of the licensed insurer's outsourcing arrangements; and

(b) take account of the key outsourcing risks specified in Appendix.

27.0 Outsourcing arrangements.

27.1 A licensed insurer shall, before entering into any outsourcing arrangement, whether material or otherwise, undertake appropriate due diligence with respect to the service provider to whom the activities will be outsourced to enable it to assess:

- (a) the service provider's capacity and ability to undertake the outsourced functions or activities; and
- (b) the risks associated with outsourcing the proposed functions or activities to the service provider.

27.2 The outsourcing of a function or activity shall be governed by a written contract with the service provider that:

- (a) clearly specifies all material aspects of the outsourcing arrangement, including:
 - (i) the functions or activities to be outsourced;
 - (ii) the rights and responsibilities of the parties; and
 - (iii) the protection by the service provider of confidential information relating to the licensed insurer or its customers; and
- (b) gives the licensed insurer and its auditor access to all documents and information relevant to the outsourced activity.

27.3 A licensed insurer shall establish and maintain a contingency plan for each outsourcing agreement that it enters into.

28.0 Licensed insurer to maintain records.

28.1 A licensed insurer shall keep adequate and orderly records which must include:

- (a) the records that it is required to maintain under the Business Corporations Act; and
- (b) records of its business, including all services provided to, and transactions undertaken for, customers, and of its internal organization.

28.2 The records kept by a licensed insurer shall be sufficient to enable the Authority to monitor the compliance of the licensed insurer with its