Corporate Governance and Compliance

"Adapting to the changing landscape of economic, environmental and social risks."

PRIVATE AND CONFIDENTIAL

Table of contents

Introduction

Corporate Governance is an internal framework that focuses on **sustainability** and **risk management** which focuses on identifying and mitigating risks.

Strong corporate governance in the insurance sector requires two lines of defense which are:

1. Internal – The management, the systems of risk management , internal audit, **company's actuary** and supervisory board.
2. External- The supervisory authority

Traditionally , the risks impacting an insurer were confined to:

- Financial
- Operational
- Strategic
- Economic

By incorporating Environmental , Social and Governance (ESG) factors insurers assess risks associated with climate change, natural disasters, social unrest which impact claims and underwriting process.

Social

These refer to societal factors that could impact the operations , profitability, or reputation of insurers:

1. Demographic changes
2. Societal attitudes
3. Labor market dynamics
4. Broader Societal challenges

Environmental

Environmental; risks refer to factors stemming from environmental conditions or changes that can affect insurers liabilities, claims , and overall stability.

1. Climate change and extreme weather conditions
2. Natural Resource Depletion
3. Broader Societal challenges
4. Waste Management

These environmental risks require insurers to adopt adaptive risk assessment practices, update underwriting criteria, and consider reinsurance or high-risk areas. Proactively addressing environmental risks enhances resilience maintains market stability and aligns with global sustainability expectations.

Weakness in Insurance Governance

A study done by the world bank identified four key weaknesses in insurance governance:

1. Actuaries are confined to statisticians who calculate solvency and reserves
2. Internal auditor generally report only to management board and do not have access to the supervisory board
3. In some cases, supervisory boards are established in such a manner that they can only play a relatively minor role.
4. External reporting is viewed as a compliance issue.

THE ROLE OF CORPORATE GOVERNANCE

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Corporate governance is integral to managing, and adapting to, economic, environmental, and social risks effectively. By fostering transparency, accountability, and responsible management practices, good corporate governance strengthens an insurer's capacity to address these challenges and ensure long-term stability. This is how strong corporate governance practices can mitigate each of these risk categories:

Role of corporate governance

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- Regulatory Compliance and Social Responsibility
- Risk Management Frameworks and Scenario Analysis
- Board Oversight and Accountability

Role of compliance

Fostering an Ethical Culture and Integrity

Ethics and Code of Conduct Enforcement

Compliance with Social Responsibility Initiatives


COMPLIANCE

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