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The Insurance Act

Pensions and Insurance Authority (No. 38 of 2021)

Corporate Governance Guidelines

These Guidelines are issued pursuant to Section 60 of the Insurance Act No. 38 of 2021 and replace the guidelines issued on 31st August, 2020.

Good corporate governance and, in particular, effective oversight by directors and senior management, lies at the core of successful organisations. Undoubtedly, corporate failures that have been witnessed in the Zambian insurance sector in the last few years could ultimately be attributed to poor corporate governance practices. Good corporate governance facilitates effective, entrepreneurial and prudent management of entities, a prerequisite for long-term success.

In the context of these Guidelines, an important aspect of good governance is that there should be proper understanding of how to manage risks that an insurance entity faces and the establishment of a risk management framework appropriate to the size, nature and complexity of the business for the management and mitigation of these risks.

Boards of Directors and senior management of entities regulated by the Authority play key control functions in the Authority's risk based supervisory framework. Effective oversight by directors and senior management is an essential element in the safe and sound functioning of the entities and maintenance of an efficient and cost effective supervisory system. Further, effective oversight ensures protection of policyholder interests and allows the Authority to rely on the entity's internal processes in the discharge of its supervisory mandate; and, in situations where a regulated entity is facing challenges or requires significant corrective action, the role of the Board is heightened as the Authority would require significant Board involvement in finding solutions and overseeing the implementation of corrective action.

These guidelines provide guidance on standards and principals with respect to diligent, professional and transparent governance and risk management. They prescribe expected good practices of governance as well as roles, duties, functions and responsibilities of shareholders, directors and senior management.

The guidelines seek to ensure that persons exercising ownership, control, responsibility, management of or oversight of any regulated entity adhere to good corporate governance principles and practices. Through these Guidelines, it is hoped to foster accountability between shareholders, boards of directors and senior management while protecting the interests of policy holders and other stakeholders.

The effective application of these guidelines should culminate in the safe and sound management of the concerned entities, protection of policy holder interests and other beneficiaries of insurance policies and, ultimately, the development of the insurance industry.

LUSAKA
11th December, 2023

N. M. NTINI,
Registrar & Chief Executive Officer

1. AUTHORIZATION

IN EXERCISE of the powers contained in section 60 of the Insurance Act No. 38 of 2021 ('the Act'), the Pensions and Insurance Authority hereby issues the Corporate Governance Guidelines, 2023. The Guidelines set out minimum corporate governance standards and practices to be applied by an insurer, reinsurer and insurance broker licensed under the Act. These Guidelines replace the Corporate Governance Guidelines, 2020.

2. APPLICATION

These Guidelines shall apply to Insurance, Reinsurance and Insurance Broking firms operating in Zambia and regulated by the Pensions and Insurance Authority (hereinafter collectively referred to as 'regulated entities').

3. EFFECTIVE DATE

These Guidelines shall come into effect on the date of publication. Regulated entities shall nonetheless be required to fully comply with the Guidelines within Twelve (12) months from the effective date.

4. GENERAL INTRODUCTION

The Authority has developed these Corporate Governance Guidelines to promote prudent management of regulated entities in Zambia. Good governance of regulated entities is critical to the stability and development of the Insurance industry.

Corporate governance refers to the manner in which a Board of Directors and Management oversee the regulated entity's business. It encompasses the means by which members of the board and senior management are held accountable for their actions. Corporate governance includes corporate discipline, transparency, independence, accountability, responsibility, fairness, probity and social responsibility. Timely and accurate disclosure of all material matters regarding the regulated entity is part of a good corporate governance framework. This includes timely and accurate disclosure of the financial condition, performance, ownership, governance arrangements and compliance with legal and regulatory requirements.

The Board is the focal point of the corporate governance system. It is ultimately accountable and responsible for the performance and conduct of the regulated entity. Delegating authority to board committees or management does not in any way discharge the Board of its duties and responsibilities.

5. DEFINITIONS

In these Guidelines, reference to the following words shall have the meaning assigned in this article:

- (a) actuary – means a business professional appointed in line with Section 69 of the Act;
 - (b) Authority – means the Pensions and Insurance Authority established under the Pension Scheme Regulation Act No. 28 of 1996 (as amended by Act No. 27 of 2005);
 - (c) board - means the board of directors of a regulated entity;
 - (d) board charter – means a policy document that clearly defines the respective roles, responsibilities and authorities of the Board (both individually and collectively) in setting the management, direction and control of the organisation;
 - (e) conflict of interest – a situation in which a board member or senior officer is in a position to derive personal benefit from actions or decisions made in their official capacity;
 - (f) corporate culture – means beliefs and behaviors that determine how company's employees and management interact and handle business transactions with customers and potential customers;
 - (g) corporate governance – means a system of rules, policies and practices that dictate how the company's Board manages and oversee operations of a company and includes principles of transparency and accountability;
 - (h) senior officer- has the meaning assigned to the words in the Act;
 - (i) external auditor - means the auditor appointed under Section 87 of the Act and has not been previously employed by the regulated entity in any capacity and has no personal relation to the regulated entity, its affiliates, associates, its senior managers or its service providers;
 - (j) fit and proper criteria – means the criteria set out in the Insurance (General) Regulations, 2022; and
 - (k) independent director – means a director as defined by Section 59 of the Act;
A board member shall not be deemed to be an independent director:
 - (i) where that director was employed in an executive capacity by the regulated entity, affiliate, subsidiary or associate in the last (2) years;
 - (ii) if that director is a related party to an individual who:
 - (a) is employed in an executive function by the regulated entity, affiliate, subsidiary or associate; or
 - (b) was employed in an executive capacity in the last 2 years by the regulated entity, affiliate, subsidiary or associate;
 - (iii) if that director is an advisor to the regulated entity, affiliate, subsidiary or associate, other than a member of the board;
 - (iv) (a) if one is a director of an entity, which holds 10 percent or more of the shares of a regulated entity, affiliate, subsidiary or associate; or
 - (b) if one is a director of an entity, affiliate, subsidiary, or associate which holds ten (10) percent or more of the shares of a regulated entity; or
 - (v) if a board member is a director of an entity in which a regulated entity holds ten (10) percent or more of shares of that entity; or
 - (vi) if a board member is not free from any business or other relationship which could be seen to materially interfere with the individual's capacity to act in an independent manner;
- (l) prudent person principle – means a principle that stipulates that regulated entities may only invest in assets and instruments whose risks the regulated entity can properly identify, measure, monitor, manage, control and report on;
- (m) policyholder- has the meaning assigned to the words in the Insurance Act;
- (n) non-executive director- means a member of the board who is not an 'executive director' and who is not associated with the day-to-day activities of the regulated entity, or its affiliate, subsidiaries, or associates;
- (o) Prominent Influential Person- has the meaning assigned to the words in the Financial Intelligence Centre Act;
- (p) regulated entity – means an insurer, reinsurer or insurance broker licensed under the Act;
- (q) related party – means an entity or person that is associated to the regulated entity and which or who is;
 - (i) a company in which a person is a manager or director;
 - (ii) each person that beneficially owns shares in the same company;
 - (iii) a third person that owns or exercises or is capable of exercises, directly or indirectly, significant control over a company or person referred to in paragraph (a) or (b);
 - (v) persons that are in a partnership
 - (vi) the spouse, parent, child, brother, sister or of the regulated entity or board or senior officer of the regulated entity;
- (r) risk management – means the process of identifying, assessing and controlling threats to a regulated entity's financial soundness;
- (s) senior management – means a team of individuals at the highest level of the regulated entity's management who have the day-to-day responsibilities of managing the regulated entity;
- (t) shareholder – means a person who owns shares in a company;
- (u) Stakeholder- means a person, either internally or externally, who has the ability to influence the performance of the regulated entity directly or indirectly, such as shareholders, creditors, customers, employees, board members and regulators; and
- (v) solvency – has the same meaning assigned to the word in the Act.

6. OBJECTIVES

The objective of these Guidelines is to ensure that the structure, responsibilities and functions of a board and senior management of the regulated entity fully recognize the expectations of all stakeholders as well as those of the Authority. The board shall take steps required to adopt sound and prudent principles and practices for the governance of the regulated entity and shall have the ability to quickly address issues of non-compliance or weak oversight and controls.

These Guidelines therefore amplify on certain issues which are covered in the Act and the Regulations framed thereunder and include measures which are additionally considered essential, by the Authority, for adoption by regulated entities.

7. PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Principle 1 – A board is required to set and oversee the implementation of the regulated entity's business objectives and strategies for achieving those objectives, including its risk strategy and risk appetite, in line with the regulated entity's long term interests and viability.

Principle 2 – A board is required to—

- (a) ensure that the roles and responsibilities allocated to a board committee and senior management are clearly defined so as to promote an appropriate separation of the oversight function from the management responsibilities; and
- (b) provide adequate oversight of senior management.

Principle 3 – A board is required to have, on an on-going basis—

- (a) an appropriate number, mix of individual and gender diversity 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, reinsurer or broker's business;
- (b) at least sixty percent independent directors for an insurer and reinsurer;
- (c) at least one independent director for an insurance broker;
- (d) 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
- (e) adequate powers and resources to be able to discharge its duties fully and effectively.

Principle 4 – board members are required to—

- (a) act in good faith, honestly and reasonably;
- (b) exercise due care and diligence;
- (c) act in the best interests of the regulated entity and policyholders;
- (d) exercise independent judgment and objectivity in the board member's decision making, taking due account of the interests of the regulated entity and policyholders; and
- (e) not use the board member's position to gain personal advantage or cause any detriment to the regulated entity.

Principle 5 – The board is required to—

- (a) adopt and oversee the effective implementation of a remuneration policy, which does not induce excessive or inappropriate risk taking, in line with the identified risk appetite and long term interests of the regulated entity, and has proper regard to the interests of its stakeholders; and
- (b) ensure that such a remuneration policy covers those individuals who are members of the board, senior management and other employees whose actions may have a material impact on the risk exposure of the insurer.

Principle 6 – The 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, board committees, senior management and the external auditor.

Principle 7 – The board is required to have systems and controls to ensure the promotion of appropriate, timely and effective communication with the Authority and relevant stakeholders on the governance of the regulated entity.

Principle 8 – The board is required to have policies and procedures to ensure that senior management—

- (a) carry out the day-to-day operations of the regulated entity effectively and in accordance with the regulated entity's strategies, policies and procedures;
- (b) promote a culture of sound risk management, compliance and fair treatment of policyholders;
- (c) provide the board with 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 regulated entity, and the performance of senior management; and
- (d) provide the Authority and relevant stakeholders, with information required to satisfy legal and other obligations applicable to the regulated entity.

Principle 9 – The board is required to provide oversight in respect of the design and implementation of sound risk management and internal control systems and functions. The regulated entity is required to—

- (a) establish and operate within, effective systems of risk management and internal controls;
- (b) have effective control functions with the necessary authority, independence, and resources; and
- (c) have an effective risk management function capable of assisting the regulated entity to identify, assess, monitor, manage and report on its key risks in a timely way.

Principle 10 – The regulated entity should have an effective compliance function capable of assisting the regulated entity to meet its legal and regulatory obligations and promote and sustain a corporate culture of compliance and integrity.

Principle 11 - The insurer or reinsurer is required to have, or have access to, an effective-

- (a) actuarial function capable of evaluating and providing advice to the insurer or reinsurer regarding technical provisions, premium and pricing activities, and compliance with regulatory requirements; and
- (b) internal audit function capable of providing the board with independent assurance in respect of the insurer or reinsurer's governance, including its risk management and internal controls.

The insurer or reinsurer is required to have oversight over, and be accountable for, any activity or function, despite any outsourcing of such activity.

Principle 12 - The board shall carry out an annual review of the effectiveness of its corporate governance and internal controls.

Principle 13 - The board shall consider the impact of climate change on the insurer or reinsurer's business strategy and risk profile and, where appropriate in the judgement of the board, make timely climate change related disclosures. The board should also be responsible for ascertaining the insurer or reinsurer's green and sustainable investment options to ensure compliance with global environmental social and governance (ESG) best practice.

8. COMPOSITION, APPOINTMENT, TENURE AND EXPERTISE OF BOARDS

The correct board structure is imperative to ensure alignment of the interest of the shareholders and the company.

8.1 COMPOSITION OF THE BOARD AND TENURE

- (a) The board of a licensed insurer or reinsurer shall have at least five members, sixty percent of whom shall be independent directors as per Section 59 of the Act;
- (b) The board of a licensed insurance broker shall have at least three members, one of whom shall be an independent director as per Section 59 (2) of the Act;
- (c) (i) An independent director shall not serve on the board of a regulated entity for a cumulative period exceeding six years from the date of the first appointment until after a cooling off period of at least 2 years;
- (ii) A non-executive director who has served a total of six (6) years on a board of a regulated entity shall not be eligible for appointment on the same board. However, this shall not apply to a person who sits on the board of directors of a regulated entity on behalf of a lender or investor for the purpose of safeguarding transitory interest such as observance of loan or investment covenant or as a transaction advisor;
- (iii) Notwithstanding (a) above, the Authority may, upon receipt of a written application from a regulated entity, grant approval to extend a director's tenure for a period to be determined by the Authority; and
- (d) Where a board member is selected by a significant shareholder, the board shall set out specific procedures to ensure that the board member appropriately discharge their responsibility in the best interest of the regulated entity.

8.2 APPOINTMENT OF THE BOARD

- (a) A person may sit on two different boards of regulated entities provided that the entities are not of the same category of insurance business. i.e. long term general insurance and microinsurance. In the case of a reinsurer, a director shall not sit on the board of a general insurer or life insurer and the reinsurer.
- (b) A person who has served on the board of a regulated entity shall only be eligible for appointment as a director on the board of another regulated entity in the same category of business after a cooling off period of two (2) years;
- (c) A person shall not sit on the board of an insurer and insurance broker;
- (d) A person shall not sit on the board of a reinsurer and reinsurance broker;
- (e) A person who has previously served at the Authority in the capacity of Registrar or Deputy Registrar shall only be eligible for appointment as independent director on the board of a regulated entity after a cooling off period of at least two (2) years;
- (f) A partner in an audit, accounting or law firm that has previously provided audit, accounting or legal services to a regulated entity shall only be eligible for appointment as director of that regulated entity after a cooling off period of two (2) years;
- (g) A person eligible for appointment as director on the board shall be a fit and proper person;
- (h) A director may appoint an alternate director to represent that director at board meetings;
 - (i) A person shall not qualify to be appointed as an alternate director if that person does not meet the fit and proper requirements set out by the Authority;
 - (ii) A person who is a director on the board of a regulated entity, shall not be appointed as an alternate director on the same board or the board of another regulated entity;
 - (iii) A regulated entity shall ensure that an alternate director is held to the same standards of duty of care and loyalty expected of a director;
 - (iv) A director shall be entitled to appoint only one alternate director subject to prior written approval by the Authority;
 - (v) An alternate director shall not attend more than one third of board meetings in any calendar year;
 - (vi) Where a director's appointment is terminated, the provisions of Section 55 shall apply. This shall include instances of resignation by a director.
- (i) A director of a regulated entity shall not be a member of more than six boards; and
- (j) A chairperson of the board shall be an independent director.

9. ROLE OF THE CHAIRPERSON OF THE BOARD

The responsibilities of the chairperson of the board shall include but not be limited to:

- (a) providing overall leadership to the board;
- (b) participating in the selection of board members;
- (c) ensuring proper induction, training and continuous development of board members;
- (d) ensuring that the board is appropriately constituted in compliance with the laws;

- (e) ensuring that there is a formal succession plan for the board;
- (f) setting the agenda for the board meetings;
- (g) ensuring appropriate conduct of board meetings in accordance with the law;
- (h) ensuring that decision making processes are in place, are in accordance with the law, and that they cater for interests of the policyholders and shareholders; and
- (i) facilitate the annual review of the performance of board members.

10. ROLES AND RESPONSIBILITIES OF THE BOARD

- 10.1. Every regulated entity shall have a board charter setting out its roles, functions, responsibilities and powers of the board, shareholders, individual directors and senior management. The charter shall prescribe the entity's governance framework in a manner that is appropriate and proportionate to the entity's circumstances. The board charter shall regulate the conduct of the board and highlight any powers delegated to board committees, matters reserved for final decision-making or pre-approval by the board and policies and practices adopted by the board.
- 10.2. The Board Charter should be freely available to staff, policyholders and other stakeholders. Regulated entities should consider adopting a higher quorum requirement of two thirds, with a majority of non-executive directors being present. The board charter should replicate any other relevant requirements in the Companies Act and the company's Articles of Association.
- 10.3. The board is responsible for the effective governance of the regulated entity. In exercising that responsibility, the board must:
- (a) set, approve and oversee the implementation of the regulated entity's business objectives and strategies for achieving those objectives, taking into account the long-term financial soundness of the regulated entity as a whole, the interests of policyholders and other stakeholders, and the fair treatment of customers;
 - (b) act with independence of mind in pursuing the best interest of the regulated entity, policyholders and other stakeholders;
 - (c) regularly review the regulated entity's business objectives and strategies to ensure they are consistent with the broader policyholder and other stakeholder commitments;
 - (d) set, be role models for, and test the ongoing adherence to the regulated entity's values and culture;
 - (e) promote an open and accountable environment in which employees, who communicate concerns about illegal or irregular behavior, are properly protected from occupational detriment;
 - (f) set and oversee the design and implementation of sound risk management and internal control systems and functions;
 - (g) set and oversee the effective implementation of all material policies of the regulated entity;
 - (h) set and oversee the effective implementation of a remuneration and incentive model that demonstrably supports prudent decision making, is consistent with the regulated entity's risk appetite, and does not induce excessive or inappropriate risk taking;
 - (i) set and implement appropriate governance procedures over the board's activities to ensure that conflicts of interest are properly identified and managed;
 - (j) set and implement governance arrangements to ensure reliable and transparent financial reporting for public and supervisory purposes;
 - (k) establish and implement impartial and effective arrangements for communicating with the Authority to ensure that regulatory matters are properly prioritized and dealt with expeditiously and accurately;
 - (l) regularly monitor and, at least annually, review the adequacy and effectiveness of the regulated entity's governance framework;
 - (m) regularly review the composition of knowledge, expert skills and experience of the board as a whole and plan for the orderly succession of board members;
 - (n) annually review the performance of board members; and
 - (o) notify the Authority of any shortcomings in the regulated entity's governance framework, the reasons for the shortcomings, and the regulated entity's plans to rectify them.
- 10.4. In overseeing senior management, the board of the regulated entity must:
- (a) ensure that there are adequate policies and procedures relating to the appointment, dismissal and succession of senior management and be actively involved in such processes;
 - (b) monitor that the knowledge and expertise of senior management remain appropriate to the nature of the regulated entity's business and risk profile;
 - (c) set appropriate performance and remuneration standards for senior management consistent with the long-term strategy and the financial soundness of the regulated entity and monitor whether they are meeting the performance goals set for them;
 - (d) assess, at least annually, the performance of the chief executive officer against the performance goals set for them;
 - (e) ensure that adequate procedures are in place for assessing, at least annually, the effectiveness of the performance of senior management (other than the chief executive officer) against the performance goals set for them;
 - (f) monitor whether senior management is managing the affairs of the regulated entity in accordance with the strategies and policies set by the board, and the board approved risk appetite, values and culture;

- (g) monitor whether the policies and procedures set by the board are being properly implemented by senior management and are operating as intended;
 - (h) monitor whether senior management is promoting a culture of sound risk management, compliance and policyholder protection;
 - (i) monitor whether senior management provide the board with adequate and timely information to enable it to carry out its duties and functions;
 - (j) monitor whether senior management provide the Authority, policyholders and other stakeholders with the information required to satisfy the legal and other obligations applicable to the regulated entity; and
 - (k) regularly meet with senior management to discuss and review the decisions made, information provided and explanations given with respect to the business and operations of the regulated entity.
- 10.5 Insurance groups should ensure that the corporate governance framework is appropriate to the structure, business and risks of the insurance group and its legal entities. The Corporate governance framework should include policies, processes and controls which address risks across the insurance group and legal entities within the group, and clear reporting lines between the head of the group and the legal entities within the group.
11. BOARD COMMITTEES
- 11.1 The board shall establish board committees to assist it in discharging its duties and responsibilities. However, the board remains accountable and shall retain responsibility for monitoring and oversight of its sub-committees and external service providers. The regulated entity shall establish the following:
- (a) a formal procedure for certain functions of the board to be delegated, describing the extent of such delegation, to enable the board to properly discharge its duties and responsibilities and to effectively execute its decision making process;
 - (b) board committees with formally determined terms of reference, life span, role and function;
 - (c) transparency and full disclosure from the board committee to the board, except where the committee has been mandated otherwise by the board;
 - (d) independent directors to be appointed to the board committees;
 - (e) board committees to be able to take independent professional advice as and when necessary, and to invite senior management to provide technical advice when needed;
 - (f) The board shall establish an audit committee as required under Section 102 of the Act.
 - (g) The board may establish such number of committees, necessary for the performance of the following functions, taking into consideration the size and complexity of a regulated entity including:
 - (i) Risk management committee;
 - (ii) Remunerations and nominations committee;
 - (iii) Investment and finance committee;
 - (iv) Asset liability management committee;
 - (v) Policyholder protection committee; and
 - (vi) Ethics committee.
- 11.2 The board chairperson shall not serve as a chairperson for a board committee with the exception of the nominations committee.
- 11.3 AUDIT COMMITTEE
- (i) A regulated entity shall establish an audit committee and appoint persons that the regulated entity considers necessary as members of the committee in line with Section 102 of the Act.
 - (ii) The directors appointed to the audit committee including the chairperson shall all be independent directors. The audit committee should have at least one member who is a professional Certified or Chartered Accountant or a person with strong financial analysis background. If the chairperson of the board is appointed as a member of the Audit Committee, the dual role of that person must be disclosed to shareholders at the annual general meeting and approved by shareholders. The participation of executive directors in the audit committee should be limited to eliciting any specific information concerning audit findings.
 - (iii) The audit committee shall perform the following specific responsibilities:
 - (a) overseeing the financial statements, financial reporting and disclosure processes. The audit committee shall recommend the introduction of measures that may enhance the credibility and objectivity of financial statements and reports concerning the business of the regulated entity;
 - (b) assisting the board in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and, auditing and actuarial valuation processes applied by the regulated entity in the day-to-day management of its business;
 - (c) in respect of the internal audit function, the committee must assess the effectiveness of the internal audit function and whether internal audit resources are adequate. The Audit Committee will oversee the development of and approve internal audit plans to ensure that all material risks are considered, and statutory and financial reporting requirements are met. The Audit Committee will also review internal audit reports and monitor progress made in rectification of irregularities and changes in processes wherever deficiencies have been reported;

- (d) In respect of the external auditor, the Audit Committee shall promote and maintain an effective relationship with the external auditor as well as ensure that adequate policies and processes are in place to guarantee the independence of the external auditor. The Audit Committee shall be directly responsible for the appointment, remuneration, performance and oversight of the external auditors (although the approval of appointment, remuneration and removal of the external auditors shall be done by the shareholders at the annual general meeting);
- (e) meet with the Authority on request; and
- (f) any other function that the board may delegate.

11.4 RISK MANAGEMENT COMMITTEE

- (i) The Authority is keen on the prudent management of the risks and development of strong risk management system and mitigation strategies by requiring the boards of regulated entities to perform risk management functions by laying down the company's risk management strategy. The risk management functions shall be organized in such a way that it is able to monitor all the risks across the various lines of business of the regulated entity and the operating head has direct access to the board.
- (ii) The risk management committee must consist of at least three members that include executive and independent directors, a majority of whom must be independent directors. The risk management committee shall perform the functions set out below:
 - (a) Assist the board in developing its risk management strategy;
 - (b) Assist the board in evaluating the adequacy and effectiveness of the risk management system by performing specialized analysis and quality reviews;
 - (c) Assist the board in identifying any build-up and concentration of the various risks to which the regulated entity is exposed and actions taken to manage the exposures;
 - (d) Assist the board in identifying and monitoring all material risks to ensure that the board's decision making capability and accuracy of reporting is adequately maintained;
 - (e) Facilitate and ensure the appropriate segmentation of duties of the risk management function from operational business line responsibilities and ensure that the segmentation is observed;
 - (f) Advise the board with regard to risk management decisions in relation to strategic and operational matters such as corporate strategy, mergers and acquisitions and other related matters;
 - (g) Meet with the Authority upon request; and
 - (h) Any other function that the board may delegate.

11.5 REMUNERATIONS AND NOMINATIONS COMMITTEE

- (i) The remuneration and nominations committee must consist of at least three members, all of whom must be independent directors.
- (ii) A remuneration and nominations committee must perform at least the following functions:
 - (a) Develop and conduct regular reviews of an appropriate remuneration policy for the regulated entity;
 - (b) Monitor the implementation and effectiveness of a regulated entity's remuneration policy and compliance with these Guidelines;
 - (c) Make recommendations to the board on the remuneration of:
 - (i) the chief executive officer of the regulated entity;
 - (ii) the senior managers who report directly to the chief executive officer; and
 - (iii) other persons whose activities may, in the remuneration committee's opinion, affect the financial soundness of the regulated entity and any other person specified by the Authority; and
 - (d) Any other function that the board may delegate.

11.6 POLICYHOLDERS' PROTECTION COMMITTEE

- (i) The board shall develop a mechanism of keeping the policyholders well informed and educated about insurance products, claims and complaint-handling procedures and in particular shall:
 - (a) put in place proper procedures and effective mechanism to address complaints and grievances of policyholders;
 - (b) ensure compliance with the statutory requirements as laid down in the regulatory framework;
 - (c) review of the mechanism of keeping the policyholders well informed at periodic intervals;
 - (d) ensure adequacy of disclosure of "material information" to the policyholders. These disclosures shall, for the present, comply with the requirements laid down by the Authority both at the point of sale and at periodic intervals during the subsistence of the insurance contract;
 - (e) review the status of policyholders' complaints at periodic intervals and provide the details of grievances at periodic intervals to the board.

11.7 INVESTMENT COMMITTEE

This is specific to insurers and reinsurers. Under this function or committee-

- (i) The board shall be responsible for laying down an overall investment policy and operational framework for the investment operations of the insurer that complies with the investment guidelines as set out in the Insurance (General) Regulations, 2022.
The policy should focus on a prudential asset liability management supported by robust internal control systems. The investment policy and operational framework shall, inter alia, encompass aspects concerning liquidity for smooth operations, compliance with prudential regulatory norms on investments, risk management or mitigation strategies to ensure commensurate yield on investments and above all, protection of policyholders' funds. It is also responsible for a periodic review of the investment policy based on the performance of investments and the evaluation of dynamic market condition.
- (ii) Members of the board performing investment functions shall be conversant with requirements on investments as provided by the Act and any relevant regulations on insurance fund investments.
- (iii) All investments made are to be approved by the board members performing investment functions or by the delegated and authorized operational staff to facilitate urgent and day-to-day investment operations.
- (iv) The board shall also put in place an effective reporting system to ensure compliance with the policy.
- (v) The board members performing investment functions shall meet at least once in a quarter and look into various aspects of investment operations and monitor them.

11.8 ASSET LIABILITY MANAGEMENT COMMITTEE

- (i) The board shall play a critical role of formulating, implementing, monitoring and revising strategies related to assets and liabilities. The work of this committee is aimed at achieving the organisation's financial objectives. The board is to lay down a framework to ensure that the insurer or reinsurer invests in a manner which will enable it to adhere to solvency requirements and thus meet its cash flow needs and capital requirements at a future date.
- (ii) The board in performing its asset liability functions shall—
 - (a) set the insurer and reinsurer's risk or reward objectives and assess policy holder expectations;
 - (b) quantify the level of risk exposure and assess the expected rewards and costs associated with risk exposure;
 - (c) formulate and implement optimal asset liability management strategies that meet risk or reward objectives. The strategies must be laid down both at product level and enterprise level
 - (d) lay down the risk tolerance limits;
 - (e) monitor risk exposures at periodic intervals and revising asset liability management strategies where required; and
 - (f) place the asset liability management information before the board at periodic intervals.

11.9 ETHICS COMMITTEE

- (i) The board's responsibilities in respect to the ethics functions shall include—
 - (a) Setting and adhering to corporate values for itself, senior management and other employees that create expectations that all business should be conducted in a legal and ethical manner;
 - (b) ensure a code of ethics is developed, stipulating specific guidelines ethical values or standards guiding the regulated entity in its interaction with its internal and external stakeholders;
 - (c) ensuring that appropriate steps are taken to communicate corporate values, professional standards or code of conduct and supporting policies throughout the regulated entity;
 - (d) supervising and monitoring matters reported using the regulated entity's whistle blowing or other confidential mechanisms for employees and others to report ethical and compliance concerns or potential breaches or violations; and
 - (e) approving compliance programs, reviewing their effectiveness on a regular basis and signing off on any material compliance issues or matters.

12. SENIOR MANAGEMENT

It is the responsibility of senior management to conduct the entity's business and affairs in an effective, responsible and ethical manner, consistent with the principles and direction established by the board through the strategic plan. The senior management of the regulated entities shall have the following responsibilities-

- (i) overseeing the operations of the regulated entity and providing direction on a day-to-day basis, subject to the objectives and policies set out by the board, as well as legislation;
- (ii) providing the board with recommendations, for its review and approval, on objectives, strategy, business plans and major policies that govern the operation of the regulated entity;
- (iii) Senior management shall establish an effective enterprise-wide risk management framework that identifies, measures, monitors and controls the major risks which the regulated entity is exposed to. Additionally, management of an insurer or reinsurer shall establish an effective compliance function that will ensure that the regulated entity complies with all laws and regulations, supervisory directives, industry codes of conduct and internal policies and regulations
- (iv) providing the board with comprehensive, relevant and timely information that will enable it to review business objectives, business strategy and policies, and to hold senior management accountable for its performance.

13. ACTUARY APPOINTMENT AND RESPONSIBILITIES

A licensed insurer shall appoint a qualified actuary in line with section 69 of the Act who shall be recognized as a fellow of the Institute and Faculty of Actuaries or equivalent to carry out the duties imposed or conferred on the actuary under the Act before commencing insurance business.

- (i) In making the appointment the board should ensure that—
 - (a) a procedure for appointment of the actuary is in place and has been adhered to; and
 - (b) the appointed actuary has the prerequisite qualifications;
- (ii) The insurer shall clearly set forth the actuary's operational responsibilities and advisory role in relation to the board or the management as well as their rights and obligations;
- (iii) The board shall interact directly with the appointed actuary wherever it considers it expedient to secure his advice;
- (iv) As soon as the appointed actuary realises that the entity does not comply or is likely to fail in complying with the requirements of solvency and other parameters of sound operations, they shall inform the board or the management and the independent external auditors as appropriate depending on the gravity of the situation;
- (v) The appointed actuary shall provide professional advice or certification to the board with regard to:
 - (a) estimation of technical provisions in accordance with the valuation framework set up by the insurer;
 - (b) identification and estimation of material risks and appropriate management of the risks;
 - (c) financial condition testing;
 - (d) solvency margin requirements;
 - (e) appropriateness of premiums;
 - (f) appropriateness of the surrender value;
 - (g) allocation of bonuses to with-profit insurance contracts;
 - (h) management of participating funds (including analysis of material effects caused by strategies and policies); and
 - (i) product design, risk mitigation (including reinsurance) and other related risk management roles.
- (vi) The appointed actuary shall provide such advice or certification to the extent applicable.
- (vii) In order to facilitate the appointed Actuary in discharge of his responsibilities, he shall at all times be provided access to the information as required.

14. EXTERNAL AUDITOR

14.1 A regulated entity shall appoint an individual or firm as an external auditor in line with Section 87 of the Act who shall fulfill the obligations and requirement for this role under the Act and any other written law. The appointed external auditor shall be a member of the Zambia Institute of Chartered Accountants.

14.2 Key to the appointment of external auditors is their independence in judgment and in executing their audit duties. The board of the regulated entity shall—

- (a) to the extent practical, undertake steps to satisfy themselves that the external auditor, who undertakes the work for the regulated entity, must retain his or her independence in line with International Standards on Auditing, the Act and Regulations, prudential management policies of the regulated entity and that there is no conflict of interest.
- (b) ascertain independence of the external auditor, he or she shall give a declaration to the effect that he or she is independent and or there is nothing in his or her knowledge (either in relation to individual external auditor or audit firm or a regulated entity of which the external auditor is a member or director) that could compromise his or her independence and that there is no conflict of interest between himself or herself and the regulated entity;
- (c) Conflict of interest may arise in the following circumstances—
 - (i) the external auditor is not capable of exercising objective and impartial judgment in relation to the conduct of the work undertaken for the regulated entity due to the external auditor's association with the company;
 - (ii) a person, who is a member of an audit firm, or a director of the audit company but who initially served in professional capacity in the internal audit of the regulated entity;
 - (iii) a person who was an employee of an audit company, other than the director of that company, and who acted as the lead external auditor or reviewed audit in the internal audit of a regulated entity.
- (d) Subject to section 88 of the Act, an independent external auditor shall not be engaged continuously for a continuous period as stipulated in the Companies Act, 2017.
- (e) In appointing the external auditors, the regulated entity must not re-appoint an external auditor whose maximum term as stipulated above has expired. Such an external auditor may however be appointed after a minimum of two (2) continuous years from previous engagement.

15. INFORMATION, DISCLOSURE AND TRANSPARENCY TOWARDS THE MARKET

Public disclosure of reliable and timely information facilitates the understanding by prospective and existing stakeholders of the financial position of insurers and the risks to which they are subject, regardless of whether they are publicly traded or not. Therefore, in line with the provisions of section 110 of the Act, a licensed insurer, reinsurer or insurance broker shall publish, in a newspaper of general circulation or other electronic media in the Republic, its quarterly financial and audited annual financial statements.