CORPORATE GOVERNANCE GUIDELINES

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CORPORATE GOVERNANCE GUIDELINES
OF THE
INSURANCE CORPORATION OF BARBADOS LIMITED
(Adopted February 4, 2010)

1. INTRODUCTION

The Insurance Corporation of Barbados Limited (ICBL) has developed these Guidelines to provide guidance to Directors, Officers, Management, Staff and agents on their obligations as it relates to corporate governance.

The Guidelines set out ICBL's expectations in relation to the minimum standards for corporate governance practice by all Directors, Officers, Management, Staff and agents. It will form an integral part of the framework used by the Board in assessing the effectiveness of the corporate governance within the Company. In this regard, ICBL's focus will not be simply on a mechanistic adherence to the Guidelines. Instead, ICBL will seek to establish that, overall, processes appropriate to the Company are in place and operating effectively and that the Board is able to carry out and carries out its oversight responsibilities in an effective and efficient manner.

ICBL recognises that the design of a governance framework should take account of:

(a) The nature and scale of the business;

(b) The complexity, volume and size of transactions; and

(c) The degree of risk associated with each area of operation.

The Guidelines are meant to complement the obligations already encoded in the Incorporation documents, Company's By-laws, Insider Trading Policy, Companies Act Cap 308, the Insurance Act, 1996-32 and the Money Laundering and Financing of Terrorism (Prevention and Control) Act, Cap 129.

2. APPLICATION

These Guidelines on corporate governance apply to all Directors, Officers, Management, Staff and agents of ICBL.

3. CORPORATE GOVERNANCE

Corporate Governance refers to the processes, structures and information used for directing and overseeing the management of a Company. A good corporate governance framework establishes the mechanisms for achieving accountability between the Board, Senior Management and shareholders, while protecting the interests of relevant stakeholders. It also sets out the structure through which the division of power in the Company is determined.

3.1 THE BOARD OF DIRECTORS

The Board has ultimate responsibility for the quality of governance of the Company. The Board has an oversight role designed to ensure that ICBL:

(a) Is managed in a way that safeguards its safety and soundness;

and

(b) Is in compliance with all relevant laws and regulations.

The Board is expected inter alia to:

(a) Oversee the selection of competent Senior Management to assume the day-to-day management of the Company and determine their compensation;

(b) Define and document formally its role vis-à-vis that of management. This should provide for clarity in what functions and authorisations have been delegated to management;

(c) Assure itself that the Company structure lends itself to effective management and to the achievement of the Company's goals;

(d) Assess and approve the business objectives, corporate values and strategic direction of ICBL. The Board should inter alia:

  i. Document standards that address unethical behaviour;

  ii. Assess whether the strategy is realistic in the context of the prevailing environment and the resources available to implement the strategy;

  iii. Review, approve and monitor annual business plans and budgets; and

  iv. Review the associated risks and returns associated with new products and services.

(e) Understand the risks that the Company faces, discuss and approve the policies to mitigate these risks and obtain regular assurances from management that appropriate processes of risk assessment, management and internal controls are in place. The policies must be consistent with the Company's long-term strategic plans. By adopting clearly written policies, including for new activities, the Board is able to define what practices and what level and types of risks are acceptable;

(f) Ensure that Senior Management implements the Company's strategy and ethical standards;

(g) Approve outsourcing arrangements, including intra-group, and satisfy itself that written service level agreements that, outline the responsibilities of the respective parties, etc. are completed before the arrangement begins;

(h) Receive and analyse reports prepared by management, including up to-date information on:

  i. Significant risks and the effectiveness of risk management processes;

  ii. The financial consequences of material exceptions to policies and controls;

iii. Competition and market share; and
iv. Key strategic issues and on possible acquisition targets.

(i) Monitor performance against agreed benchmarks;

(j) Assure itself of the integrity of financial reporting;

(k) Receive, discuss and follow up reports prepared by the internal and external auditors and by regulators;

(l) Ensure that the governance system enables the Company's operations to be conducted within the framework of all relevant laws, including the Companies Act Cap 308, Insurance Act, regulations and guidelines.

(m) Review and approve the annual Budget and specific goals at the start of the fiscal year and financial performance quarterly (actual and in comparison to plan). The Board believes it is important to establish and evaluate longer-term objectives and to monitor short term performance.

(n) Participate in creating the right "tone at the top" and oversee how it is being communicated to all employees and constituents of the Company. The right "tone at the top" will establish the ethical culture of the Company and permeate the Company's relationships with employees, the business community and regulators.

3.2 RESPONSIBILITY OF BOARD MEMBERS

Directors are appointed or elected to direct and oversee the affairs of the Company. In conducting his/her duties, a Director is required to exercise the degree of care, skill and diligence of a reasonable diligent person with both the knowledge and experience expected of a Director in his/her position and also any specific knowledge or skills that he/she may have.

Board members' individual responsibilities include:

(a) Maintaining an awareness of the Company's internal and external operating environment including local, regional and international insurance and financial trends and any statutory and regulatory changes affecting the Company; and

(b) Diligently performing the job by:

i. Attending Board meetings regularly and participating actively in Board discussions. Directors who are unable to fulfil these obligations should not sit on a Company's Board;

ii. Preparing in advance of meetings by reviewing the relevant background material, including management reports,

iii. Requiring explanations of any unfamiliar activities;

iv. Reviewing the reports of internal and external audits and supervisory examinations; and

v. Attending meetings when requested by the Company.

(c) Exercising independent judgment and not permitting themselves to be influenced by another Director, by management, or by outside interests. A critical evaluation of the issues before the Board is essential to the effectiveness of each member of the Board. Directors must ask management questions to satisfy themselves that management's recommendations are feasible and in the best interests of the Company. If the Director disagrees with Board action, the Director should say so, and ensure that the minutes reflect the dissent;

(d) Avoiding conflicts of interests by inter alia:

i. Respecting the confidentiality of information received during their tenure as Directors. The information communicated to the Directors in the framework of their functions, whether during the meetings of the Board, specialist committees or during private discussions are given 'intuitae personae'. Directors must ensure that the confidentiality of this information is strictly observed. The knowledge of inside information results in the prohibition to carry out, for his/her own account or for that of a third party, transactions in the shares of the concerned companies, and to communicate that information to third parties.

ii. Transacting their personal business with the Company at arm's length; and

iii. Fully disclosing to the Board any interests, direct or indirect, they may have in loans, contracts, etc. to which the Company is or may become a party. This does not mean that Directors may not conduct business with the Company but they should not be involved in the decision making on such transactions.

3.3 SENIOR MANAGEMENT

(a) Managing Director & CEO

The Managing Director & CEO is entrusted with the day-to-day management of the company that needs to fall within the framework of the general lines of policy defined by the Board of Directors. The Managing Director & CEO is also entrusted with the execution of the decisions of the Board of Directors and finally can represent on his own the company within the limits of the day-to-day management. In consultation with the Managing Director & CEO, the Board of Directors approves the Strategic Plan for the Company.

The Managing Director & CEO is also entrusted with the Company's human resources policy and he ensures that the Company has staff available to execute the Company's strategy. He is also responsible for their training and for management development. The Managing Director & CEO has the particular authority to recruit, promote, dismiss and make agreements concerning the remuneration of individual members of staff, all this within the framework of the general payroll policy. The Managing Director & CEO has furthermore the duty to draw up and carry out the annual budget, comprising an operational budget, investments and an estimate of the anticipated profits. He indicates in this how the annual budget fits within the strategic plan approved by the Board of Directors, in particular in relation to portfolio allocation and cash planning. The annual budget is presented to the Board of Directors in November so that the main sections of the operating budget, investment and divestment budget and the cash planning can be approved at the latest in December. The Managing Director is entrusted with the optimal execution of the annual budget.

(b) Senior Managers and Operational Managers

In order to make an adequate operational management possible the Managing Director is assisted in the execution of his duties by Senior Managers who in turn are assisted by Operational Managers. Formal job descriptions have been prepared for the various Senior and Operational Management positions within the Company and their letters of appointment describe their term of office, duties, rights and responsibilities and entitlement on departure from the Company. The Senior Management is responsible for:

i. Implementing the Company's Strategic Plan;

ii. Keeping Directors adequately informed about the performance of the Company through financial and management reports and the reports prepared by internal auditors, external auditors and the Officer with responsibility for compliance issues;

iii. Advising the Board on the appropriate Company structure, and ensuring that the quantity and quality of staff resources are available to carry out all tasks, including internal audit and compliance;

iv. Implementing and maintaining risk management systems appropriate to the scale, nature and complexity of the Company;

v. Delineating and documenting the areas of responsibility for each staff member. Reporting lines must be clear and appropriate in the context of the scale, nature and complexity of the Company;

vi. Communicating the Company's strategic direction, reporting lines and risk tolerance throughout the Company; and

vii. Overseeing management information systems to enable timely and accurate dissemination of information to the Board and regulators.

(c) Management Committees

The Managing Director & CEO can also setup specific committees which operate under his exclusive responsibility and to which he can delegate specific authorities. The Managing Director & CEO ensures that the Board of Directors and the Management Committees setup by himself have the relevant information (essential for them to perform their duties) available in good time via their respective chairmen.

(d) Relations between the Managing Director & CEO and the Board of Directors

The Managing Director & CEO informs the Chairman of the Board of any investments, projects or events that may influence the strategy, market position and liability of the company, any interesting developments in participations and the decisions that should be taken in that regard. The Chairman of the Board can make his point of view known. The Company is responsible for the day-to-day operations of the business, serving as a link between the Board and Staff.

3.4 ACCESS TO SENIOR MANAGEMENT

Directors shall have unrestricted, full and complete access to Senior Management. The Chairman and the Managing Director & CEO will be made aware of the substance of all communications between Senior Management and the Board, all copies of any written communications between Management and the Board will be provided to the Chairman and to the Managing Director & CEO. Furthermore, the Board encourages the Managing Director & CEO, from time to time, to bring Managers into Board and Committee meetings who can provide additional insights into the items being discussed because of personal involvement in these areas, and/or have future potential such that Senior Management believes they should be given exposure to the Board.

3.5 RELATIONS BETWEEN THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR & CEO

A clear separation of responsibilities at the head of the Company is maintained between the responsibility for conducting the meetings of the Board of Directors on the one hand and the executive responsibility of managing the business on the other. The positions of Chairman of the Board and Managing Director & CEO may not be held by the same person. The Chairman of the Board of Directors takes care to ensure that the Board and the Management interact effectively through the intermediary of the Managing Director & CEO. The Chairman establishes close relations with the Managing Director & CEO by giving him support and advice while respecting the executive responsibilities of the Managing Director & CEO. For his part, the Managing Director & CEO provides the Chairman of the Board with all the information he requires to carry out his task.

4. BOARD STRUCTURE AND OPERATIONS

The size, composition. and Committee structure of the Board will vary according to the size of the Company, the level of risk to third parties and the need for monitoring of risk and effective decision-making.

4.1 SIZE AND COMPOSITION OF BOARD

Subject to the Company's Articles of Incorporation and By-Laws, the Board will fix from time to time by resolution the number of Directors constituting the Board, guided by the recommendations of the Nominating Committee. As a public company the Board must have a minimum of three (3) persons.

The size of the Board should be adequate to cope with a Director or Directors having to absent themselves from decision making because of potential conflicts of interest. The Board should periodically review its own size and determine the size most effective for making decisions and future operations. To ensure compliance with this requirement for a minimum of three (3) persons, the Company should consider having more than the minimal requirement.

The Board reserves the right to recommend an increase in the size of the Board if it believes that persons with different skills would enhance the Board's effectiveness.

4.2 COMPOSITION

Director Appointment/Election

Subject to the Company's By-Laws and the Companies Act Cap 308, Board members must be elected by the Shareholders of the Company. However, the Board is authorized to fill casual vacancies on the Board.

The Board believes that the Nominating Committee should nominate Directors for Board approval. The Board expects the Nominating Committee to consider the views of the Chairman and the Managing Director & CEO in making appointments, but it is the Nominating Committee's responsibility to make Directors recommendations to the full Board for approval and for submission to shareholders for approval at the time of the Annual Meeting of Shareholders. The Board has charged the Nominating Committee with responsibility for recruiting new Directors.

The invitation to join the Board should be extended by the Chairman of the Board, on behalf of the entire Board of Directors and the Nominating Committee.

Term Limits

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of limiting the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. As an alternative to term limits, the Nominating Committee will review the continuation of each Director nominated by such Committee on the Board every year. This will allow each Director the opportunity to conveniently confirm his or her desire to continue as a member of the Board.

Qualities of a Director

Men and women of different ages, races and ethnic backgrounds can contribute different, useful perspectives, and can work effectively together to further the Company's mission. In this regard Directors shall demonstrate the following qualities:

i. Each Director should bring to the Company a range of experience, knowledge and judgment. It is not the duty of a Director to represent a particular constituency but to act in favour of the Company and its Shareholders.

ii. Directors should be active. They should maintain an attitude of constructive skepticism and participate in corporate affairs by asking questions which require accurate honest explanations.

iii. Directors must act with integrity and be committed to the Company, its business plans and long-term shareholder value.

iv. Directors should have relevant business and industry experience in order to provide a useful perspective on significant risks and competitive advantages facing the Company.

v. Directors must maintain an acceptable level of attendance, preparedness, participation and candor with respect to meetings of the Board of Directors and Board Committees.

vi. Each Director must be reachable by providing to Management telephone (work/home/cell) or fax numbers or electronic mail address as are necessary to enable prompt communication with a Director.

vii. The Director should demonstrate competence in one or more of the following areas: accounting or finance, business or management experience, insurance industry knowledge, end user experience or perspective, crisis management, or leadership and strategic planning. The Board members together should be competent in all or almost all of these areas.

viii. Subject to availability, only independent Directors may serve on the Audit Compliance & Corporate Risk Management Committee.

Limit on the number of Board Memberships by Directors

A Director may serve on other boards, but not on too many boards which may take away valuable time and attention from his or her service to the Company. A Director should not sit on the board of a non-affiliated Company where the Company competes in the same market for the same business. The Board may relax this Guideline where the companies are not competing, but the Company may disallow a Director if it considers his involvement will not contribute to enhanced governance on account of his/her myriad interests and directorships absorbing much of his/her time and attention.

Directors should advise the Chairman and the Committee with responsibility for corporate governance in advance of accepting an invitation to serve on another board.

Selection of the Chairman of the Board

The Chairman of the Board may be an Officer/Director or an outside Director.

Director Orientation

To promote Director effectiveness, management has implemented an orientation and continuing education process.

Within twelve (12) weeks of being elected or appointed to the Board, all new Directors must participate in the Company's orientation process and receive a Director's Handbook. The orientation will include introductions to Senior and Operational Management, seminars/presentations to familiarize each new Director with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its internal and independent auditors and its Code of Ethics and Business Conduct.

Board Compensation Review

The Board believes that the level of Director compensation generally should be competitive with that paid to Directors of similar size insurance companies in Barbados. The Committee with responsibility for compensation is responsible for making recommendations to the Board with respect to Director compensation. The Board must approve Director compensation and benefit programmes, if any. This compensation may include an annual retainer, a fee for meetings of the Board of Directors or Committees of the Board of Directors attended, equity based compensation amounts, and reimbursement for reasonable expenses related to their service as Directors. Directors may receive such compensation in the form of the Company's Common Stock or as participants in Common Stock based programs. A non-employee Director may receive no other form of compensation from the Company and shall have no other financial relationship with the Company except as a shareholder. The Board of Directors should review the Company's Director compensation guidelines at least on an annual basis. All new equity based compensation programs for either Directors or employees must be approved by the requisite majority of the shareholders voting at the Company's annual meeting. Equity based compensation programs shall include any new stock option plan, an amendment to an existing plan or any new stock grant.

4.3 BOARD INDEPENDENCE

To fulfil its oversight responsibilities, the Board should include a balance of executive and non-executive Directors (including independent Directors) to ensure that neither Management nor any other individual or group of individuals dominate the Board's decision making. It is recommended that, where the Company accepts third party funds: -

(a) At least 51% of board members should not hold executive positions with that third party; and

(b) At least 20% of the Board should be independent of the third party or its affiliates.

In determining whether a Director qualifies as independent, consideration should be given to whether that person:

i. Was employed by the Company or an affiliate of that Company within the last three years; or

ii. Had a material relationship with the Company either directly, or as an adviser, partner, shareholder or senior employee of a body that has or had such a relationship with the Company within the last three years; or

iii. Received or receives additional remuneration or deferred compensation from the Company other than Director's fees; or

iv. Is a member of the immediate family of any person described at ii. above.

For the purposes of this note, a shareholding of ten percent or more in the corporate body will be considered material.

4.4 THE ORGANISATIONAL STRUCTURE OF THE BOARD

The functions of the Board may, depending on the size and complexity of the Company, be discharged directly or indirectly through Board Committees. There will from time to time, be occasions in which the Board may want to form a new Committee or disband a current Committee depending upon circumstances. Such specialised Committees may assist the Board in its oversight function while economising on the limited resources available to monitor specific areas of the Company's activities.

The Board must determine the type of committee structure that would adequately meet its needs and establish the responsibility, authority and accountability requirements of the committees. However, the Company reserves the right to mandate the creation of an Audit Committee.

Each Committee should have its own charter or mandate, which should clearly set out the objectives, responsibilities and powers of the Committee. It should distinguish those issues, which the Committee has authority to act on behalf of the Board and those for which the Committee can only examine and make recommendations to the Board. The Terms of Reference or charter or mandate should also include the size of the Committee, qualifications for membership, any restrictions on the number of executive directors, the frequency of meetings, the requirements for a quorum and Committee practices.

The Committees should periodically provide the Board with reports of their activities together with recommendations for discussion and approval by the full Board. Minutes of Committees should be circulated to the full Board as soon as possible following committee meetings. The work of each Committee should be co-ordinated with that of the Board and other Committees.

Except when a Company accepts no third party funds, the inclusion of members of management on these committees should be the exception rather than the rule. However, management may be invited to attend meetings as needed to provide input to the discussion.

4.5 SELF ASSESSMENT

Annual Director Evaluations

The Chairman of the Board is responsible for reviewing with the Board on an annual basis the appropriate skills and characteristics required of Directors in context of the current make-up of the Board. This assessment should include issues of diversity, age and skills (such as an understanding of insurance, financial background and related skills, etc.), all in the context of an assessment of the perceived needs of the Board at that point in time.

Annual Board and Committee Evaluations

Annually, the Board shall assess its performance and that of the Board Committees. Such assessment shall include an evaluation by each Director of the Board's performance; namely, what is good and what needs improvement, in order to assess whether the Board and its Committees are functioning effectively. The Chairman will review the aggregate data from the Board and Committee evaluations with the Committee with responsibility for Corporate Governance.

Evaluation results are reported to the Board. The Finance & Corporate Governance Committee's report should generally include an assessment of the Board's compliance with the principles set forth in these guidelines, as well as identification of areas in which the Board could improve its performance. Each Committee's report generally should include an assessment of the Committee's compliance with the principles set forth in these guidelines, the Committee's charter, and identification of areas in which the Committee could improve its performance.

Annual Staff Evaluations

Performance Evaluations are undertaken for each member of staff of the Company based on criteria set out in the Employee Performance Appraisal Form.

Succession Planning

As part of the annual officer evaluation process, the Finance & Corporate Governance Committee works with the Managing Director & CEO to plan for the Managing Director's & CEO's succession, as well as to develop plans for interim succession for the Managing Director & CEO in the event of an unexpected occurrence. Succession planning may be reviewed more frequently by the Board as it deems warranted.

4.6 AFFILIATION OF DIRECTORS

It is the responsibility of each Director to advise the Corporate Secretary of any affiliation with public or privately held commercial enterprises. A conflict of interest may exist if an individual, or a member of his or her immediate family, has a material investment or other financial interest in a competitor or in any individual firm doing business (or seeking to do business) with the Company. In general terms, a financial interest is material if it is sufficiently substantial that it may affect the objectivity of the individual, or may give the appearance of affecting that objectivity.

For purposes of evaluating the materiality of financial interest, a report should be made to the Corporate Secretary's office if that interest:

(a) exceeds 5% of the individual's total assets.

(b) accounts for more than 5% of the individual's annual income; or exceeds 5% of the investment in the other entity.

4.7 BOARD MEETINGS

Board meetings serve as the key fora where executives and Directors share information on the performance, plans and policies of the Company.

Conduct of meetings

The Board believes its meetings should be conducted in a manner that ensures open communication, objective, constructive and proactive participation and timely resolution of issues.

Frequency of meetings

The Board believes that the number of scheduled Board and Board Committee meetings should vary with circumstances and should reflect the complexity and volume of activity and the condition of the Company. Special meetings should be called only as necessary. While the Board recognizes that Directors discharge their duties in a variety of ways, including personal meetings and telephone contact with Senior Management and others regarding the business and affairs of the Company, the Board feels it is the responsibility of individual Directors to make themselves available to attend both scheduled and special Board and Committee meetings on a consistent basis and to meet as frequently as necessary to properly discharge their responsibilities. In this regard, the Board should meet to discuss the business of the Company at least quarterly.

In-Camera Sessions/Executive Sessions

Non-management Directors may meet in in-camera/executive sessions. Normally, such meetings will occur during regularly scheduled Board Meetings. Meetings of the non-management Directors will be chaired by the Chairman of the Board. Executive Sessions are designed to provide the Directors an opportunity to discuss matters that do not require formal Board action. These executive sessions should be viewed primarily as a safety valve to deal with problems and not as a forum for revisiting matters already considered by the full board. The executive sessions should not usurp functions that are properly the province of the full board. If the non-management Directors include any Directors who are not "independent" pursuant to the Board's determination of independence, at least one in-camera session/executive session per year will include only independent Directors.

Board Meeting Agendas

The Chairman of the Board and Managing Director & CEO will establish the Board Agenda for each meeting of the Board of Directors and the Board Committees taking into account suggestions of Board members.

As with the Agenda, the Board believes that the Chairman and Managing Director & CEO should determine the form of each presentation to the Board and the person to make such presentation. However, the Board believes it is important that the Managers make presentations to the Board so that the Board may become familiar with a broader component of the Company's management.

In this regard, Board meetings should, inter alia, review:

(a) The Company's capital adequacy;

(b) Statements showing the Company's financial condition and earnings;

(c) The investment portfolio;

(d) Loan activity, including past-due and non-accrual loans, charged off or recovered loans and loans to related parties;

(e) Assets under management portfolio;

(f) Compliance with regulatory standards and laws;

(g) Audit and examination reports; and

(h) Any other matters of material impact to the Company, including liquidity, market and operational risk, litigation, fraud, etc.

Distribution of Board Materials

The Board believes that information, documentation and data that are important to the Board's understanding of the business should be distributed in writing to the Directors before the Board meets. Each Director is expected to review and be familiar with these materials in advance of each meeting. Management will endeavour to provide material that is concise, informative and clear and will give Board members sufficient time to review the material before meetings. Longer and more complex documents should contain executive summaries. The focus of materials should be on analysis rather than data and responsive to legal and regulatory mandates.

Background materials for presentation on specific subjects should be sent to the Directors sufficiently in advance so that the Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. On those occasions in which the subject matter is too sensitive to provide in writing, the presentation will be discussed at the meeting.

The Committee with responsibility for corporate governance should periodically review the information flow to Board members to ensure that Directors receive the right kind and amount of information from management in sufficient time to prepare for meetings. The Chairman has directed the Corporate Secretary to periodically discuss Director satisfaction with Board materials with individual Directors and encourages Directors to offer suggestions on materials.

Committee Agendas

The Committee Chair, in consultation with the appropriate officers and staff, develops the Committee's Agenda. Agendas are distributed to all Committee Members in advance of the meeting. Directors may suggest additional agenda items and may raise at any meeting subjects that are not on the Agenda. The Standing Committees establish and review annual agendas of subjects to be discussed during the year. Other Committees may follow less formal procedures.

Record Keeping

The Company must maintain in good condition complete records of the matters discussed at Board and Committee meetings, the decisions taken and any dissenting views or abstentions. These requirements apply whether the meeting is held face to face or by tele-conference or by round robin.

Decisions

The Board operates on a collegial basis and its decisions are taken by consensus of its members. If necessary, the Chairman may, on his initiative or on the request of two other members, submit a debated question to the vote. The decision is then taken by a majority of the votes of all the members. If an equal number of votes is cast, then the Chairman has the casting vote. The Board assumes collegial responsibility for its decisions vis-à-vis third parties, including members who have expressed opinions contrary to the final decision taken.

Candor and Avoidance of Conflicts

The Directors realize that candor and the avoidance of conflicts are hallmarks of the accountability owed to the Company's shareholders. Directors have a personal obligation to disclose a potential conflict of interest to the Chairman of the Board before any decision related to the matter and, if the Chairman in consultation with legal counsel determines a conflict exists or the perception of a conflict is likely to be significant, to recuse themselves from any discussion or vote related to the matter.

5. INTERACTION WITH REGULATORS, SHAREHOLDERS, MEDIA, CUSTOMERS AND OTHER THIRD PARTIES

The Company is a public company whose shares are listed on the Barbados Stock Exchange. The Company is also registered as an insurance company. This requires the Company to disclose certain information to The Securities Commission, the Barbados Stock Exchange Inc., Registrar of Corporate Affairs, Supervisor of Insurance and to its shareholders. Communication with such persons includes:

(a) Quarterly, Semi-annual and Annual financial statements;

(b) Annual Reports;

(c) Annual Meetings of Shareholders.

The Board's obligations to shareholders are documented in the Company's incorporation documents. The Company shall treat all shareholders in an equal manner.

The Board also considers that it has a responsibility to keep its policyholders and other stakeholders informed about important decisions.

Consequently, as part of the process for all major decisions, management determines whether a public announcement will be needed.

Directors of the Company should not respond to inquiries from the media securities analysts, brokers or investors, including informal social contacts unless specifically asked to do so by the Chairman of the Board and Managing Director & CEO. Inquiries from the media securities analysts, brokers or investors, including informal social contacts, should be referred immediately to the Managing Director & CEO. The Board believes that the Chairman, the Managing Director & CEO, and other appropriate members of senior management speak for the Company, and the Chairman speaks for the Board.

6. INDEPENDENT ADVISORS

The Board shall have the power to hire independent legal, financial or other advisors as they may deem necessary, at the Company's expense, without consulting or obtaining the approval of any Officer of the Company in advance. With the exception of the Audit Committee, Committees of the Board shall obtain prior approval from the Board before hiring independent legal, financial or other advisors.

7. LONG RANGE STRATEGY OF THE COMPANY

The Board believes that long-range strategic issues should be discussed as a matter of course at regular Board meetings, but that given the complexity of the Company and the level of change in the industry, it is important to hold periodic meetings devoted solely to discussion of strategic issues. The Board shall hold an annual strategic planning session, with the timing and agenda to be determined by the Managing Director & CEO with concurrence of the Board. During this session, long-term initiatives and goals should be considered and discussed.

8. ETHICAL AND LEGAL BUSINESS ENVIRONMENT

The Board believes that the long term success of the Company is dependent on the maintenance of an ethical business environment that focuses on adherence to both the letter and the spirit of regulatory and legal mandates.

Board and committee agendas and materials are established with legal and regulatory requirements in mind. The Board expects that management will conduct operations in a manner supportive of the Board's goal of promoting an ethical business climate.

9. AUDIT COMPLIANCE & CORPORATE RISK MANAGEMENT COMMITTEE

Depending on the nature, scale and complexity of its business, the Company may elect to create an Audit Compliance & Corporate Risk Management Committee. This Committee which is similar to most companies' Audit Committee and Risk Management Committee should inter alia:

(a) Be comprised of non-executive Directors;

(b) Be chaired by an independent Director of the Board who should ideally be a professional Chartered Accountant or a person with strong financial analysis background. The Chairman of the Board and the Managing Director & CEO should not be members of the Audit Committee. The association of the Managing Director & CEO in the Audit Committee should be limited to eliciting any specific information concerning audit findings.

(c) Be responsible for overseeing the Company's financial reporting process, including its financial disclosure obligations;

(d) Oversee the internal and external audit functions, including approving the respective audit plans;

(e) Meet with and receive reports from the Company's internal and external auditors;

(f) Monitor management's response to regulatory, internal and external audit reports/letters; and

(g) Oversee the actuarial functions and receive the Actuarial Reports from the Company's actuaries.

9.1 INTERNAL AUDIT

Depending on the nature, scale and complexity of its business, the Board may assign the task of monitoring the appropriateness and effectiveness of its systems and controls to an internal audit function. The Internal Auditor(s) should report regularly to the Audit Compliance & Corporate Risk Management Committee, where it exists, or directly to the full Board where there is no Audit Compliance & Corporate Risk Management Committee. The Board should inter alia:

(a) Be actively involved in the selection of the head of Internal Audit function;

(b) Require that those persons responsible for conducting the internal audit functions be independent from the operations under review;

(c) Review and approve the mandates and organisational structures of the internal control functions;

(d) Satisfy itself that the internal audit function is adequately staffed; and

(e) Seek assurances that work programmes are appropriate in light of the risks faced by the Company.

The Company recognises that the creation of an Internal Audit department may not be practical. The Company accepts that, where the Company is part of a larger financial or non-financial group, internal audit services can be outsourced to affiliates within the group. Where this is not possible, a Company may, subject to the Company's agreement, outsource the function to a person or firm that is not involved in the auditing or accounting function of the Company.

9.2 EXTERNAL AUDIT

The Company has a statutory obligation to appoint an external auditor. The auditors should conduct a review of the accounting records and internal controls of the Company and report to the Board and the Managing Director & CEO on their assessment of the control environment. The external auditors should meet periodically with the internal auditor(s), the Audit Committee and Senior Management to discuss the findings of their reports. They should have access to the Board to discuss their Management Letter and other related issues. The Board should require that Management Letters are provided without undue delay, together with Management's action plan to deal with deficiencies that were identified to the Board.

10. GOVERNANCE OF AFFILIATES

The Board should be aware of all material risks that may ultimately affect it, even when they might arise in subsidiaries (if any). It is the Board's responsibility to determine the Board structure that best contributes to an effective chain of oversight, enabling the parent (if any), the subsidiary (if any) and branches (if any) to meet their respective statutory and compliance responsibilities.

The corporate governance responsibilities are broadly similar for parent companies and subsidiaries. Generally while there may be some overlap of Directors on the parent and subsidiary Boards, each Board must satisfy the requirements of these Guidelines. While parent boards should exercise oversight over the activities of subsidiaries, the Board of the subsidiary retains its corporate governance responsibilities for the Company. Intra-group outsourcing of operational functions does not absolve the Company of its responsibility to establish and maintain adequate oversight. Matrix and business line management structures must be in line with the Company's corporate governance responsibilities.

The Board expects that:

(a) The Minutes of the meetings will reflect discussion on performance and the risks facing its subsidiaries and branch operations outside Barbados;

(b) The Company will pay particular attention to the performance, and activities of its subsidiaries (if any) that require specialist expertise or that may give rise to material reputation, legal or regulatory risks for the Company;

(c) Senior Officers and Directors of subsidiaries (if any) will have an understanding of the specific risks facing the subsidiary, even where functional reporting exists within the group.

Should the Company become a branch of a foreign Company, the Senior Management is expected to:

(a) Ensure group policies (if known) are customised to the local environment;

(b) Provide reports to their Head Office in line with the requirements set out in this note and generally satisfy the requirements under 3.3;

(c) Ensure compliance with local laws; and

(d) Provide the Board with such information and in such form as would enable the Board to satisfy itself that the local operations are subject to adequate oversight.

11. ROLE OF THE BOARD

The Board undertakes periodic inspections of the Company's corporate governance practices. The Company should be aware that this inspection is designed to provide an understanding of the Company's corporate governance practices and their effectiveness. The inspection will, inter alia, include a review of:

(a) The minutes of meetings of the Board, its Committees and Senior Management;

(b) All policies and procedures on risk management practices;

(c) Level of reporting to the Board and to the parent Board where relevant; and

(d) Compliance with statutory and regulatory rules and internal policies.

In relation to c. above, the Company will pay particular attention to transactions between Directors or their related interests and the Company to ensure that such transactions are concluded on an arm's length basis and that conflicts of interest have been disclosed.

The Board is ultimately responsible for all acts and omissions of the Company, which include compliance with legal and regulatory obligations. It is imperative that Management communicates any breaches to the Board and that Senior Management meet periodically with the Board to discuss the performance and/or concerns about the Company.

The Corporate Governance Guidelines should be reviewed every year by the Governance Committee with a report to the full Board of the Committee with responsibility for Corporate Governance findings and recommendations. If necessary, the guidelines should be revised and updated by the full Board, based upon the recommendations of the Committee with responsibility for Corporate Governance.

Adopted by the Board of Directors on the 4th day of February 2010.

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Always there
when you need us most

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