GOVERNMENT NOTICE NO. 13

INSURANCE ACT

(NO. 6 OF 2025)

INSURANCE (CORPORATE GOVERNANCE REQUIREMENTS FOR INSURERS AND INSURANCE BROKERS) DIRECTIVE, 2026

IN EXERCISE of powers conferred by Section 110 (3) of the Insurance Act, 2024, I, DR. GEORGE BERNARD PARTRIDGE, Registrar of Financial Institutions, issue the following Directive—

Citation

1. This Directive may be cited as the Insurance (Corporate Governance Requirements for Insurers and Insurance Brokers) Directive, 2026.

Application

2. This Directive shall apply to insurers and insurance brokers.

Interpretation

3. In this Directive, unless the context otherwise requires—

"board" means the board of directors of an insurer or insurance broker;

"group" means a holding or parent company and its subsidiaries;

"director" means a member of a board of directors of an insurer or insurance broker;

"independent director" means a director who—

(*a*) directly or indirectly, is not a significant shareholder of the insurer or insurance broker;

(*b*) is not related, or affiliated, to a shareholder of the insurer or insurance broker;

(*c*) has not been employed in an executive position by the insurer or insurance broker in the last two years;

(*d*) is not a professional advisor to the insurer or insurance broker;

(*e*) has no significant contractual relationship with the insurer or insurance broker; and

(*f*) has no business or other relationship with the insurer or insurance broker which may materially interfere with the independence of the director;

"non-executive director" means a director who has no management responsibility in the insurer or insurance broker;

"senior management official" means—

(*a*) an executive officer;

(*b*) an official who reports directly to the board, a committee of the board or an executive officer; and

(*c*) an officer declared by the Registrar to be a senior management official;

"significant contractual relationship" means a contractual relationship between an insurer or insurance broker and its director involving five percent or more of the value of the whole transaction; and

"significant shareholder" means a shareholder of an insurer or insurance broker who, directly or indirectly, owns or controls at least ten percent of capital or voting rights of the insurer or insurance broker.

Objective of Directive

4. The objective of this Directive is to prescribe minimum corporate governance requirements for insurers and insurance brokers.

Responsibilities of shareholders

5. The shareholders of an insurer or insurance broker shall, among other responsibilities—

(*a*) provide financial support to the insurer or insurance broker on an on-going basis or when called upon to do so by the Registrar;

(*b*) appoint a board comprising competent and reliable directors with appropriate knowledge, skills and experience;

(*c*) approve remuneration or fees for directors;

(*d*) appoint an external auditor for the insurer or insurance broker;

(*e*) comply with all relevant laws;

(*f*) ensure sustainable operations of the insurer or insurance broker; and

(*g*) remove from office a director who is incompetent.

Board responsibilities

6.—(1) A board shall, among other responsibilities—

(*a*) monitor implementation, by management, of plans and strategies of the board;

(*b*) ensure that the insurer or insurance broker complies with all applicable policies and laws;

(*c*) conduct annual self-assessments that meet the minimum requirements prescribed in the *Schedule*, and submit the assessment reports to the Registrar by 31st March every year;

(*d*) approve the appointment, removal and remuneration of external auditors;

(*e*) provide oversight in the design and implementation of risk management and internal controls;

(*f*) ensure that recommendations made in an internal audit report are implemented in a timely manner;

(*g*) assess the performance of the internal audit function;

(*h*) determine the remuneration of the head of the internal audit function;

(*i*) ensure that the insurer is adequately capitalized and meets solvency requirements prescribed by the Registrar; and

(*j*) develop, adopt and implement a code of ethics for directors and members of staff of the insurer or insurance broker.

(2) The board shall have access to all information, records, documents and property of the insurer or insurance broker.

Board composition

7.—(1) A board shall comprise—

(*a*) in the case of an insurer, a minimum of seven directors and the majority of the directors shall be independent directors; and

(*b*) in the case of an insurance broker, a minimum of three directors and at least one of the directors shall be an independent director.

(2) The board shall have an appropriate balance of skills, knowledge and experience.

Board chairperson

8.—(1) The chairperson of a board of an insurer shall be an independent and non-executive director.

(2) The restriction in subparagraph (1) shall not apply where—

(*a*) the individual is affiliated to the insurance group; and

(*b*) the appointment is approved in writing by the Registrar.

Restrictions on directors

9.—(1) A director shall not simultaneously serve as board chairperson and chief executive officer or hold other equivalent designation for the same insurer or insurance broker.

(2) A director shall not serve on more than six boards, except where—

(*a*) the other boards are part of a group; and

(*b*) the additional entity is not registered under the Companies Act. Cap. 46:03

(3) Where a director serves on more than six boards as authorized under subparagraph (2), the director shall not serve on any other board outside the group.

(4) A director shall not—

(*a*) serve on the board of another insurer, insurance broker or reinsurer; or

(*b*) be an executive officer of another insurer, insurance broker or reinsurer.

(5) An independent director who serves as a director for a period of ten years shall cease to qualify for appointment as an independent director.

(6) A director of a general insurer may serve as a director of a life insurer upon obtaining prior written approval of the Registrar.

Board charter

10.—(1) The board shall develop and adopt a charter which shall, at a minimum—

(*a*) outline the responsibility of the board to formulate and adopt a strategic plan;

(*b*) prescribe requirements relating to decision making and action taking, including documentation of significant decisions and the rationale thereof;

(*c*) provide for monitoring of the operational performance of management;

(*d*) prescribe procedure for selection, orientation and performance evaluation of directors;

(*e*) prescribe procedure for managing conflicts among directors;

(*f*) prescribe corrective actions to be taken for non-compliance or weak oversight, controls or management; and

(*g*) prescribe procedure and processes to ensure equal participation of directors in decision making, including avoidance of domination of the decision-making process by an individual.

(2) The board shall review the charter at least once every three years.

Board meetings

11.—(1) The board shall meet at least four times a year and shall keep minutes of its proceedings.

(2) A director shall attend at least seventy-five percent of board meetings every year.

(3) Where a director of an insurer attends less than seventy-five percent of board meetings in a year and the insurer intends to retain the director on the board, the insurer shall, by 31st March of the following year, submit a report to the Registrar showing cause why the director should not be removed from office.

(4) An insurer and insurance broker shall, upon written request of the Registrar, submit minutes of a board and committee meeting to the Registrar.

Board and management committees

12.—(1) A board shall, at a minimum, have an audit committee and a Risk Committee.

(2) A director shall not simultaneously serve as a member of the audit committee and risk committee, except with the prior written approval of the Registrar.

(3) A person shall not be appointed to serve as a member of the Audit Committee unless the person is an independent director.

(4) The chairperson of the audit committee shall not sit in any other committee of the board, except with prior written approval of the Registrar.

(5) The chairperson of the board and the chief executive officer shall not be members of the audit committee.

(6) A committee of the board shall have a formal charter outlining key responsibilities of the committee.

(7) An insurer shall have an asset and liability committee at management level.

(8) A committee of the board and a committee established at management level shall comprise at least three members.

Succession plan for office of chief executive officer

13.—(1) The board of an insurer shall develop and implement a succession plan for the office of chief executive officer.

(2) The insurer shall, in implementing the succession plan—

(*a*) designate an officer as second in command at the level of executive officer; and

(*b*) notify the Registrar, in writing, of the identity of the officer designated as second in command.

Company secretary

GN. 6 /2011

14.—(1) An insurer and insurance broker shall have a Company Secretary, appointed in accordance with the Insurance (Suitability of Persons Associated with Ownership and Management of Insurers and Insurance Brokers) Directive, 2011.

(2) The company secretary shall, among other duties, be responsible for—

(*a*) orientation of new directors on the business and governance practices of the insurer or insurance broker;

(*b*) facilitation of annual self-assessment of directors; and

(*c*) provision of advice and guidance to the board on matters of ethics and governance.

(3) A chief executive officer or director of an insurer or insurance broker shall not serve as a company secretary of the insurer or insurance broker.

(4) An insurer or insurance broker may outsource the company secretarial function, subject to written approval of the Registrar.

Internal audit

15.—(1) An insurer shall have an independent and adequately resourced internal audit function with sufficient authority.

(2) The head of internal audit shall functionally report to the audit committee.

(3) The head of internal audit shall have unrestricted access to the audit committee and employees, facilities and records of the insurer.

(4) An internal auditor shall not have an operational responsibility.

(5) An insurer may, with the prior approval of the Registrar, outsource its internal audit function to its parent company or an entity affiliated with the insurer:

Provided that the insurer shall not be liable to pay any fees or charges to the parent company or affiliated entity, other than the duly justified cost of performing the function.

Risk management function

GN. 5/2011

16. The board of an insurer shall establish an effective risk management function in accordance with the Insurance (Risk Management Framework for Insurance Companies) Directive, 2011.

Obligation to submit accurate information

17.—(1) A director or senior management official shall not submit a false or misleading statement to the board, the Registrar or any other stakeholder.

(2) A director or senior management official who contravenes subparagraph (1) shall be liable to an administrative penalty.

Contravention and penalties

Cap. 44.05

18.—(1) Where the Registrar determines that an insurer, insurance broker, director or senior management official has contravened this Directive, the Registrar may impose an administrative penalty or give a written direction specified under section 39 of the Financial Services Act on the insurer, insurance broker, director or senior management official.

(2) Where the Registrar decides to impose a monetary penalty, the Registrar shall impose—

(*a*) in the case of an insurer, a penalty of up to K50,000,000;

(*b*) in the case of an insurance broker, a penalty of up to K10,000,000;

(*c*) in the case of a natural person who is a director or senior management official of an insurer, a penalty of up to K10,000,000; and

(*d*) in the case of a natural person who is a director or senior management official of an insurance broker, a penalty of up to K2,000,000.

(3) The offender shall pay the monetary penalty imposed under subparagraph (2)—

(*a*) within ten working days from the date the notice of the penalty is received by the offender; and

(*b*) through an electronic bank transfer in favour of the Reserve Bank of Malawi.

Transitional arrangements

19. An insurer or insurance broker licensed before the commencement of this Directive shall comply with the Directive within twelve months of the Directive coming into force.

Revocation GN. 7/2011

20. The Insurance (Minimum Standards on Corporate Governance for Insurance Companies) Directive, 2011 is hereby revoked.

SCHEDULE (para. 6(1)(c))

BOARD AND DIRECTORS' EVALUATION CHECKLIST

Note:

1. The Review and evaluation, among other things, shall include an assessment of board—
   (*a*) composition and independence;
   (*b*) performance against its objectives set at the beginning of the year;
   (*c*) performance against the Board Charter;
   (*d*) effectiveness in setting and overseeing insurer's strategy;
   (*e*) response to problems and crises;
   (*f*) responsiveness to concerns of shareholders and stakeholders;
   (*g*) maintenance and implementation of its governance principles;
   (*h*) access to and review of information from management and quality of such information; and

(*i*) opinion on coercion or influence from a dominant entity, including a shareholder, other director or executive management, that affects delivery of the mandate of the board.

2. The following are some of the questions that should be asked in a performance evaluation. The questions are, however, by no means definitive or exhaustive. An insurer or insurance broker should tailor questions to suit its own needs and circumstances. The responses should enable the board to determine its performance and identify areas requiring improvement.

BOARD EVALUATION

1. Have any performance objectives been set for the board?
2. How well has the board performed against any performance objectives that have been set?
3. What has been the contribution of the board to the development, determination, testing and monitoring of the strategy of the institution?
4. Is the composition of the board and its committees appropriate, with the right mix of knowledge and skills to maximize performance in light of current and future strategy?
5. Are inside and outside the board relationships working effectively?
6. How has the board responded to any problems or crises that have emerged and could or should these have been foreseen?
7. Are the matters specifically reserved for the board appropriate and aligned with its strategic role?
8. How well does the board communicate with management team, company employees and others?
9. Is the board as a whole up to date with latest developments in the regulatory environment and the market?
10. Has the board developed and ensured that the insurer or insurance broker has a workable succession plan?
11. How effective are committees of the board? (Specific questions on the performance of each committee should be included such as, the role of committees, their composition, meeting attendance and interaction with the board).
12. The processes that help underpin the effectiveness of the board should also be evaluated, for example—
    (*a*) is appropriate information, of the right depth and quality, timely provided to the board?
    (*b*) is management responsive to requests for clarification?
    (*c*) does the board provide helpful feedback to management on requirements of the board?

(*d*) are sufficient board and committee meetings of appropriate length held to enable proper consideration of issues?

(*e*) is time used effectively during meetings?

(*f*) are board procedures conducive to effective performance?

(*g*) are board procedures flexible enough to deal with all eventualities?

(*h*) are new directors properly oriented to the institution and their roles, responsibilities and expectations?

EVALUATION OF CHAIRPERSON AND DIRECTORS

1. Is the chairperson demonstrating effective leadership of the board?
2. Are relationships and communication with shareholders well managed?
3. Are relationships and communication with the board constructive?
4. Are the processes for setting the agenda working?
5. Do the processes under paragraph 4 allow directors to raise issues and concerns?
6. Is the Company Secretary being used appropriately and to the maximum value?
7. The chairperson and other directors should also collectively and individually consider and respond to the following questions—

   (*a*) how well prepared and informed is each director for board meetings and is his or her attendance satisfactory?

   (*b*) does each director demonstrate willingness to devote time and effort to understand the insurer or insurance broker and its business, and readiness to participate in events outside the boardroom such as site visits?

   (*c*) what has been the quality and value of contributions of each director at board meetings?

   (*d*) what has been the contribution of each director to development of strategy and risk management?

   (*e*) how successfully has each director brought his or her knowledge and experience to bear in the consideration of strategy?

   (*f*) how effectively has each director probed to test information and assumptions?

   (*g*) where necessary, how resolute has each director been in maintaining his or her own views and resisting pressure from other directors?

   (*h*) how effectively and appropriately has each director followed up his or her areas of concern?

   (*i*) how effective and successful is the relationship with fellow directors, the Company Secretary and senior management officials? Does the performance and behaviour engender mutual trust and respect within the board?

   (*j*) How actively and successfully does the director refresh his or her knowledge and skills and is he or she up to date with latest developments in areas such as corporate governance framework and financial reporting?

   (*k*) how well does he or she communicate with fellow directors, senior

management officials and other stakeholders such as shareholders?

(l) does he or she or his or her affiliate have an obligation to the insurer or insurance broker that may affect his or her objectivity?

(m) is the director a party to any litigation in or outside Malawi that raises an issue of his or her fitness or propriety as a director?

Made this 13th day of February, 2026.

DR. G. B. PARTRIDGE
Registrar of Financial Institutions

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