

# **Corporate Governance Report For the year 2011**



شركة قطر للتأمين

Qatar Insurance Company

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## Corporate Governance Report for the year 2011

Submitted to the Qatar Financial Markets Authority in accordance with the requirements of Article (30) of the Corporate Governance Code for listed companies in markets that are subject to the supervision of the Qatar Financial Markets Authority (QFMA), the Board of Directors of Qatar Insurance Company are pleased to provide its annual corporate governance report for the year 2011. This report follows the previous reports submitted by the Board on 29.08.2010 and on 15.02.2011.

### Introduction:

Corporate Governance is essentially a system used by the management to direct and control the activities of the Company by ensuring integrity, transparency and honesty in managing the affairs of the Company rather than looking upon the same as a legally imposed obligation. Corporate Governance inspires and enhances the confidence of shareholders and strengthens their affiliation to the Company.

The main objective of the system of Corporate Governance is to create a culture of institutional awareness and adherence to the culture of openness and honesty and integrity and practices of moral and justice, capacity development and to identify opportunities that will serve the goal of value creation and sustainable growth-enhancing products for the company.

As a responsible Company, Qatar Insurance Company maintains its credibility in all its affairs, and is committed to transparency in all dealings and constantly enhances and strengthens the system of Corporate Governance so as to reach global standards.

Qatar Insurance Company is at all times striving to improve the Corporate Governance system as it understands that it is the main engine for sustainable growth and realizes that governance system is not merely compliance or controls. The Company continues to pursue excellence in governance and responsible management practices as it believes that the success of a Company in achieving global standards of professional conduct results in the Company being managed in a better and more compact manner.

Qatar Insurance Company SAQ was established in 1964 with a 12% participation of the State of Qatar together with few strategic corporate and individual investors who ensured strict internal control system and external oversight from the very beginning itself which benefited the Company in complying with all rules and regulations that govern the business activity in general and the activity of insurance companies in particular for the State of Qatar. All this had a positive impact on the company's performance and the distinct class it attained amongst other insurance companies in the region. This can also be seen from the cordial shareholder relations the company has with its shareholders.

From a review of internal systems of the Company since its incorporation based on the Commercial Company Law No 5 of 2002 and its amendment and Company's amended Articles of Association related to its formation and as also required by its regulators and departments of the Ministry of Interior and the instructions included in the legislative amendments thereafter post its incorporation, we find that the Company has complied to a large extent with the requirements and principles of Corporate Governance though the related names and rules may be different from those mentioned in the Corporate Governance Code. The end result is that the Company has achieved the goals and objectives sought by the Code in all its sections which means the Company meets the governance standards as recognized internationally.

The Company is pleased to report compliance to the Corporate Governance Code as under:

1. **Charter of the Board of Directors:**

The Charter of the Board of Directors is prepared in accordance with the model charter contained in the Corporate Governance Code of QFMA and in accordance with the provisions of the Commercial Companies Law No. (5) of 2002. The Charter lays down the membership conditions, terms of reference, responsibilities and duties & rights of the Board members.

2. **Corporate Governance Manual:**

The Company has in place a Corporate Governance Manual which is an internal regulation document and has been prepared after taking into account the requirements of QFMA and internationally recognized practices of Corporate Governance. This Manual will be amended from time to time to keep pace with developments in the global governance system and the requirements of the regulatory authorities in the state of Qatar.

3. **Board of Directors:**

A) **Duties and responsibilities:**

Board of Directors is responsible for the management of the Company and bears the responsibility of setting goals and strategies necessary to operate the Company and monitors the implementation of the strategies by the executive management of the Company and the Committees of the Board. This is as per the duties, responsibilities and powers of the Board and Chairman of the Board as laid down in the Articles of Association and provisions of the Commercial Companies Law that ensures company's commitment to sound Corporate Governance.

This is reviewed and updated periodically to meet changing needs of good governance as required under the relevant laws and regulations and its Articles that enshrines sound business ethics, professional business conduct and high corporate values that is drilled to its internal policies and procedures to which all members of the Board of Directors, staff and consultants of the company are committed to and follow.



The Board is assisted by a number of Board Committees which operates within the mandate and responsibilities as entrusted by the Board of Directors as mentioned later in this report.

This annual report prepared by the Board of Directors is a comprehensive assessment of the company's performance during the year and the results of its activity.

On the recommendation of the Board of Directors, the General Assembly of the Company determines directors' and management remuneration in terms of Remuneration Policy and in light of the business performance results within the limits stipulated by the Commercial Companies Law [Article 118] and the Statute of the company [Article 67].

#### B) Duties of the Chairman of the Board of Directors:

Chairman of the Board is responsible for the proper functioning of the Board. The Chairman makes sure that he discusses all the key issues in an efficient and timely manner, in addition to his responsibilities and powers set forth in the Commercial Companies Law and the Statute of the Company and under the system of governance. The Chairman of the Board does not participate in the membership of any of the committees of the Board of Directors. The Chairmanship of the Board and the office of the Chief Executive Officer of the Company are separate functions and held by different individuals.

#### C) The Board of Directors:

The Boards of Directors are elected through the General Assembly of shareholders in accordance with the rules and conditions set forth in the Commercial Companies Law and the Articles of Association of the Company in terms of which a Board Member is required to hold a minimum of not less than 200,000 (two hundred thousand) shares of the Company. The principle of cumulative voting in the election of Board members as referred in the Corporate Governance Code of QFMA cannot be applied at present in the absence of any clear legislative guidance for it.

The present Board members were elected as the Board of Directors for the period 2011-2013 in the Annual General Meeting (AGM) of the Company held on February 20, 2011. The following are the present board members of the Company who are individuals having several years of varied experience in financial and macro-economic segments of the economy;

S No.	Name of the Director	Designation	Represented by	No. of shares owned *	% of capital
1.	Sheikh Khalid Bin Mohammed Bin Ali Al-Thani	Chairman & Managing Director	In Person	1,667,244	2.24%
2.	Mr. Abdullah Bin Khalifa Al-Attiya	Deputy Chairman	In Person	581,742	0.78%
3.	Mr. Hussain Ibrahim Al-Fardan	Member	In person	454,387	0.61%

4.	Mr. Jassim Mohammed Al-Jaidah	Member	Jaidah Motors & Trading Company	1,100,000	1.48%
5.	Sheikh Hamad Bin Faisal Bin Thani Al-Thani	Member	In person	500,000	0.67%
6.	Mr. Khalaf Ahmed Al-Mannai	Member	Government of state of Qatar	8,918,910	12%
7.	Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al-Thani	Member	Special Projects Company	823,746	1.11%
8.	Mr. Ibrahim Abdullah Al-Mahmoud	Member	Broog Trading Company	3,716,212	5%
9.	Sheikh Saoud Bin Khalid Bin Hamad Al-Thani	Member	In person	200,000	0.27%

*\* Number of shares owned and percentage of capital is as at December 31, 2011.*

Currently it is not possible to classify the existing Board members as 'executives', 'non-executive' and 'independent', as the election to the Board of members which was conducted in accordance with the existing rules and regulations of the Commercial Companies Law does not stipulate need for such classifications.

However as and when any new requirements or Law requires and allows having such a classification, the Company will take it into account to meet the corporate governance requirement for all its future elections to form new Board.

#### D) Meetings of the Board of Directors:

In terms of applicable provisions of Commercial Companies Law, the Board shall meet at least six times in a year. During the year 2011, the Board held seven (7) meetings which were attended by all members of the Board personally or through their representatives.

According to the Commercial Companies Law and the Statute of the company, if a Member of the Board fails to attend three consecutive meetings or five meetings without an acceptable excuse, he is considered as having resigned.



E) The Secretary of the Board:

The Secretary of the Board who is the legal advisor to the Company records and maintains all documents of Board meetings and the reports submitted and presented to the Board. The Secretary ensures the delivery and distribution of information relating to the Company as requested by members of the Board. The Secretary arranges to provide clarifications to all queries raised by the members and provides advices to them as required. He coordinates between the Board and other stakeholders, including the company's shareholders, management and staff.

F) Related Parties:

Company's policy with regard to 'related party transactions' ensures that all transactions are negotiated under normal commercial terms on arms length basis. All 'related party transactions' are based on rules and procedures governing these transactions in the legislation in force and more specifically the Commercial Companies Law, which ensures maximum transparency, fairness and disclosure.

4. Board Committees:

The Board Committees assist the Board of Directors in the performance of their duties and carry out its responsibilities in the management of the Company by developing and reviewing plans and strategies and monitoring its implementation and performance. A number of Board Committees are mandated by the Board of Directors which is entrusted with specific tasks and assignments in the various areas of operations of the Company. The Board Committees are under the full supervision and continuous evaluation of the Board of Directors.

The Committees meet periodically to discuss and debate issues raised and to determine what is necessary to achieve its objectives and presents the records of its meetings and its decisions and recommendations to the Board. In addition to the standing committees, the Board of Directors when necessary forms Committees to discuss specific topics and to present its recommendations to the Board.

Presently, the Company does not have a "Nomination Committee" comprising of independent Directors as required by the Corporate Governance code of QFMA which recommends appointment of Board members. The Company is yet to form a Nomination Committee for reasons of incompatibility between QFMA regulations and the provisions of Commercial Company Law.

The existing Committees of the Board of Directors are as under;

A) Investment Committee:

The Investment Committee performs the following functions;

- i. Framing the investment policy of the Company in accordance with its mandate from the Board and the development of investment strategy in light of the dealings in the markets.
- ii. Set limits to the powers of the Executive Management in the investment department and take the necessary decisions in excess of these limits.
- iii. Overseeing the management of portfolio securities of the Company in order to achieve the best possible return while maintaining the diversity of qualitative and geographical investment and create a balance to mitigate risks taking into account the need to maintain the liquidity necessary to meet the obligations of the Company.
- iv. To discuss potential investment initiatives by using surplus funds and make recommendations to the Board on the potential opportunities for investment partnerships.
- v. To report to the Board about the results of activities of the Committee and recommendations for the issues that need approval from the Board

The present members of the Investment Committee include the following 4 (four) members of the Board:

- i. Mr. Hussain Ibrahim Al-Fardan, Chairman
- ii. Mr. Jassim Mohammed Al-Jaidah, Member
- iii. Sheikh Hamad Bin Faisal Bin Thani Al-Thani, Member
- iv. Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al-Thani, Member

The Group President & CEO together with the executive management team of investments normally participates in all the meetings of the Investment Committee.

The Investment Committee in its report for the year 2011 to the Board of Directors has reported good results achieved by the investment activities of the Company. The investment activities are carried out through Qatar Economic Advisors Company (QEA), an entity wholly owned by Qatar Insurance Company. QEA manages the investment of all group entities and provides investment advice to investors outside the group. The year saw the successful launch of CATCo reinsurance fund out of Bermuda which ended the year with almost \$1Billion of assets.

B) Business Strategy and Compensation Committee:

Business Strategy & Compensation Committee performs the following functions;

- i. Ensure that the future vision of the Board has been translated into objectives, strategies and action plans and implementation of such plans and objectives.
- ii. Authorize and agreeing to accept the risks / benefits / work projects / expenses exceeding the limits granted to the Group President & CEO or those that need specific approval of the Committee.
- iii. Approve the organizational structure of the Company and its amendments, and all matters related to the changes in wage structures in the Company.
- iv. Adoption of the policy of rewards and incentives for the Executive Management in the light of performance reports and the results of activity, development of rules for bonuses and allowances of members of the Board, as well as recommend the remuneration of Board members at the end of the year in the light of the provisions of the Company Law (Article 118), and the Articles of the company (Article 67).



- v. Follow-up company's commitment towards social responsibility and environmental care policy and report the conferences and symposia, economic, cultural and sports held and donations and subsidies given.
- vi. To report to the Board of Directors about its observations and recommendations.

The present members of the Committee include the following 3 (three) members of the Board:

- i. Mr. Abdullah Bin Khalifa Al-Attiya, Chairman
- ii. Mr. Hussain Ibrahim Al-Fardan, Member
- iii. Mr. Khalaf Ahmed Al-Mannai, Member

The Group President & CEO together with the executive management participates in all the meetings of the Committee.

The Committee in its report to the Board of Directors for 2011 shall recommend the approval of Remuneration Policy of the Company including that of the Chairman, members of the Board and Senior Executive Management for final approval of the Shareholders.

Important decisions taken by the Committee during the year include the following;

- i. Laying the basis of bonus and incentives of the Company including for the executive management and adjusting pay scales for Qatari employees.
- ii. Setting Terms of Reference for the Board and its committees.
- iii. Recommendations to the Board on the distribution of profits for the financial year 2011 and Board remuneration for the year 2011.

C) Audit, Risk and Compliance Committee:

Audit Risk and Compliance Committee of the Board performs, amongst others, the following functions;

- i. Issuing necessary recommendation to the Board on the appointment of external auditors and discuss their reports and comments and take the necessary action.
- ii. Confirmation of the appointment of internal auditors, approving internal audit plans and strategies, discussing their periodic reports and issuing necessary guidance and directions.
- iii. Adoption of internal control systems to ensure compliance with laws and regulations governing the activities of the Company including but not limited to law related to anti-money laundering and counter terrorist financing.
- iv. Develop guidelines for risk management and discuss periodic reports in accordance with the established risk management framework for the company. To review and approve overall risk retention policy for the Company including maximum limits for insurance risks accepted and the maximum retention limits.
- v. Adoption of the rules and regulations and guidelines and policies to ensure implementation of action plans efficiently and effectively in accordance with the rules recognized locally and globally in line with the directives of the Board.
- vi. Submit its report to the Board on internal audit, corporate governance, compliance, risk management reviewed during the year and submit its opinion on the matters reviewed by the Committee.



The present members of the Audit, Risk and Compliance Committee includes the following 3 (three) members of the board;

- i. Mr. Khalaf Ahmed Al Mannai, Chairman
- ii. Sheikh Saoud Bin Khalid Bin Hamad Al-Thani, Member
- iii. Mr. Ibrahim Abdullah Al-Mahmoud, Member

The executive management participates in all the meetings of the Committee.

The Committee submitted to the Board a report on its activities during the year 2011, which included the following:

- i. Recommend the appointment of auditors for the fiscal year 2012.
- ii. Approval of the internal audit programs.
- iii. Absence of any violations in compliance with laws and regulations including but not limited to laws on anti-money laundering and terrorist financing and conflicts of interest.
- iv. Revised stress tests conducted by the Risk Management Committee and the results of the tests.
- v. Nothing in the reports of external auditors and internal audit reports refers to the existence of any substantial violations of the labour system or to the limitations of accounting which could affect the Company's financial position.

#### **5. Public Administration (Executive):**

The Executive Management of the Company is responsible for the implementation of the set strategies and translates the goals and policies established by the Board to short and long-term plans. The approved business plans are implemented in collaboration with the relevant heads of the departments which operate within the approved financial and administrative authorities as approved by the Board. It shall provide the Board and its Committees with all the information and documents, data and statistics they require.

#### **6. Structure:**

The Company in accordance with its operational requirements maintains an efficient and sound organizational structure which effectively controls and manages all administrative, technical and financial operations of the Company. All major amendments to the organization structure are approved by the Business Strategy and Compensation Committee prior to implementation.

#### **7. Internal Control:**

Company's internal control function is ensured as follows:

- i. Internal Audit Department: This function encompasses internal audit of financial and operational systems and procedure, evaluation and review of risk management, review of systems for preservation and safeguarding of assets, detection of fraud or any liability, loss, or any material misstatement, review of application of corporate governance system and review of compliances with all the internal system, procedures, policies and regulations of the Company.

- ii. Compliance Department: The verification of compliance with all regulations, laws and relevant rules and a commitment to the system of work, authority and laws and regulations on combating money laundering and the financing of terrorism.

The above two department reports directly to the Board of Directors through the Audit, Risk and Compliance Committee of the Board. The Board may outsource, if necessary, any of the above two function if required.

#### 8. Auditor:

The shareholders at the Annual General Meeting of the Company appointed KPMG as the external auditor on the recommendation of the Board of Directors. The aforesaid auditors were appointed as the external auditors for the financial year ending 2007 were thereafter re-appointed for the years 2008, 2009, 2010 and 2011 in accordance with the Company Law and the Articles of the company which permits the appointment of external auditors for 5 (five) consecutive years.

However, in the years to come, the Company will take into account the necessity of changing the external auditor of the Company after every 3 (three) years as laid down in the Corporate Governance code of QFMA.

#### 9. Disclosure:

The company is fully committed to all disclosure requirements as prescribed by existing legislations and regulations of various regulatory authorities and has fully complied with the requirements set forth in this regard in the corporate governance rules.

The most important requirements in this regard relates to the publication of information of interest uniformly at the same time to shareholders, investors and dealers in the shares of the company to access all information that affect stock prices which provides equal opportunities to them to take the appropriate investment decisions.

The Board of Directors through the compliance department ensures that all the disclosures that the Company makes are accurate and the financial reports of the Company conform to applicable accounting standards and requirements.

The Company also published audited financial reports in newspapers and on the website of the company, pursuant to the provisions of the Commercial Companies Law and the requirements of QFMA and Qatar Stock Exchange.

#### 10. Relation with shareholders and other stakeholders:

The Company keeps channels of communication open and transparent with shareholders and publishes financial information to investors and other stakeholders on a regular basis and through the website of the Company and relevant communication media for Qatar Stock Exchange.



The meeting of the shareholder's Annual General Assembly will be held within three months following the end of the fiscal year. At the meeting, all relevant data, information, reports and statements required for meeting provisions of Commercial Companies Law and Qatar Exchange and the Articles of Association of the company are also provided to all shareholders to enable them to review and analyze company's performance.

The annual report of the Board of Directors to the shareholders on the performance of the company for the year with a recommendation for the distribution of profits will also be announced at the meeting for ratification at the Annual General Meeting.

**11. Capital:**

The authorized share capital of the company is (QR 743,242,500) divided into (74,324,250) number of shares which is paid in full. It has around 1327 shareholders as of 31/12/2011. The Government of the State of Qatar has a 12% stake of the capital in the company and no other shareholder is entitled to hold a stake in excess of 5% of the total paid up capital.

**12. Institutional Compliance:**

The Company has established a separate unit to undertake all the regulatory compliance requirements and the statutory requirements of the Stock Exchange of Qatar and all other applicable regulatory authorities.

No fines or penalties were imposed on the Company by any regulatory body for lack of compliance in the application and disclosure of legal or regulatory requirements.

**13. Risk Management:**

Risk Management Committee of the company is headed by the Group President & Chief Executive Officer of the Company and includes a number of senior officials from different sectors of the business.

The Committee identifies, monitors and follows-up major risks that the Company could be exposed to and takes appropriate corrective and preventive actions in order to mitigate such identified risks. The Committee provides necessary guidance and directions to create an embedded risk management culture in all sectors of the Company.

The Committee submits its reports and findings to the Audit, Risk and Compliance Committee of the Board.

The main areas of activity of the Risk Management Committee of the company are the following:

A) Insurance risks:

Review of acceptances of all insurance risks and analyze accumulations and aggregation of risks based on geographical locations and various types of insurance risks. Review risk retention policy of the Company, approve tolerance limits and determine policy for reinsurance security and alternate risk mitigation. Review results of internal stress tests conducted to analyze the possible impact on portfolio risk retained as well as to check the adequacy of insurance reserves maintained by the Company (Reserve for unexpired risks, Outstanding Claims and IBNR) and its impact on reinsurance structure.

B) Operational risks:

Developing plans for disaster recovery and business continuity. Measures taken include testing of fire alarm & engines, water and electricity generators, recruitment and training of security officials, and pay special attention to equipment and computer software.

C) Credit risks:

Studying the financial conditions of customers and business partners and developing limits of credits and continuous monitoring of the receivables. Adequate provision is made for provision for doubtful debts against all long overdue debts which are not good.

D) Investment risks:

The Investment Committee of the Board provides necessary directions and guidelines with regard to the investment strategy for the Company. The Investment Committee lays down maximum defined investment execution limits for each class of investments in local and global markets to ensure maximum yield and liquidity for the investments of the Company.

This is further elaborated in the report submitted by the Risk Committee to the Audit, Risk and Compliance Committee of the Board.

14. Rating:

Based on the assessment carried out by globally recognized rating agency Standard & Poor's ("S&P"), the Company has been given rating of "A/Stable". The aforesaid rating is based on the field study and a full assessment of all the elements that relate to Company's financial position and organization of the administrative and operating policies and demonstrates the strong financial position of the Company and its ability to meet its obligations. It may be pertinent to highlight that QIC is the first insurance company in the Middle East to receive this rating and there are only 3 (three) other companies in the Middle East to have been so rated.



The company is keen to renew the certification for quality business process (ISO 9001:2008). Recently, the Company was awarded the certification ISO 27001:2005 for Information Technology security which demonstrates the interest of the company in the safety and confidentiality of information whether own or of the customers. The information management systems in the Company are at par with the international standards.

**Conclusion:**

As detailed in the above statement, the Company since its inception is fully committed and has adhered to the requirements and principles of Corporate Governance as laid down in the rules and regulations even prior to the issuance of the Corporate Governance Code by QFMA.

Going forward, the Company will further strive to achieve and implement highest possible level of Corporate Governance culture at par with global standards.

**For Qatar Insurance Company S.A.Q.**

  
**Khalifa Abdullah Al Subaey**  
**Group President & CEO**

  
**Khalid Bin Mohammed Bin Ali Al Thani**  
**Chairman and Managing Director**