THE FUTURE
Improving the Corporate Governance of Major Asia-Pacific Insurance Companies

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In this first ever study of the current corporate governance practices of large listed Asia-Pacific insurance companies, we examined a number of areas, including corporate and ownership structures, board structure and practices, executive and director remuneration, risk management, audits and implementation of whistleblowing policies.

The study covered 50 of the largest publicly-listed insurance companies in Asia-Pacific by market capitalisation, which had up-to-date disclosures on key corporate governance practices. The 50 insurance companies are from 15 countries: Australia, Bangladesh, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam. Data were collected between March and May 2014 using 2013 annual reports for 30 companies and 2012 annual reports for 20 companies, supplemented by other sources such as company websites and regulatory filings.

In the report, we focus on insurers that are listed to ensure that there is adequate publicly-available information. There are some large insurance companies in Asia-Pacific that are unlisted subsidiaries of banks or other companies which are not in our study because, as unlisted companies, there is little publicly available information. Further, not all listed insurers provided comprehensive information about their corporate governance or kept the information up-to-date; some did not provide annual reports in English.

There are some examples of good practices, notably:

- 90% of the insurance companies have a separate Chairman and CEO which is what most corporate governance codes would recommend.
- The mean and median board size is 10 members, which is within the range of 6 to 11 that we, and others, would recommend.
- Most insurance companies disclosed that they have some form of risk management framework or system in place.

Overall, however, there is considerable room for improvement in the quality of disclosure and corporate governance practices for major insurance companies in Asia-Pacific. Our detailed recommendations explain how we think further improvements could be made to the corporate governance practices for major insurance companies across the region.
FINDINGS

Overall, there is considerable room for improvement in the quality of disclosure and corporate governance practices for major insurance companies in Asia-Pacific. The key findings from our study are:

Corporate and Ownership Structures

- Of the 50 insurance companies, 16 are subsidiaries of holding companies. Seventeen companies have a pyramid structure or complex cross-holdings. The other companies either do not have such ownership structures or there was insufficient information for us to determine if they do.

- The most common substantial shareholders in insurance companies are institutional investors and fund managers. There are 44 institutional investors and fund managers who are substantial shareholders across the 37 insurance companies that disclosed the presence of substantial shareholders. However, the most common largest substantial shareholders are banks, other insurance companies and other corporations, this being the case for 17 companies. Twelve companies have an institutional investor or fund manager as the largest substantial shareholder, while 7 companies and 1 company respectively have the government and family as the largest substantial shareholder.

- 16 of the 50 companies are subsidiaries.

Board Structure and Practices

BOARD LEADERSHIP

- Ninety percent of the insurance companies disclose that they have a separate Chairman and CEO, but in almost half of the insurance companies the Chairman is an executive (that is, who is either an Executive Chairman or who also holds the CEO position or equivalent). One-third of the insurance companies have an independent Chairman.

BOARD SIZE AND COMMITTEES

- The mean and median board size is 10 board members. However, there are five insurance companies with 15 or more board members, and seven insurance companies with 6 or fewer board members and one company has only a three-member board.

- Forty-four insurance companies (88%) have an audit committee and a remuneration committee. Thirty-four insurance companies (68%) have a nominating committee, while 33 (66%) have a risk committee. Four companies also have an executive committee.

- Seven insurance companies have a “pure” investment committee, six have a strategy and investment committee, two have a risk and investment committee, and one has an investment and finance committee.

- Two-tier boards are slightly less likely to establish an audit committee. However, the establishment of other committees is comparable for single-tier and two-tier boards, and in some cases, more likely for two-tier boards.

40% have a majority of independent directors

- Three insurance companies did not disclose the number of independent directors. Of the remaining companies, about 1-in-4 have less than one-third of independent directors, while 40 percent have a majority of independent directors.

- Nearly one in six insurance companies have executive directors making up a majority of the board of directors, while another 14% have executive directors making up between one-third and half the directors on the board.

- Boards of Asian insurance companies in general have a lack of gender diversity. Nearly half of the insurance companies have no female director and another one-third have just one. There were only two female Chairmen, both of whom recently retired, and no female CEO. Eleven percent of the Chairmen of audit, nominating and remuneration committees of the insurance companies are women.

BOARD MEETINGS

- Thirteen insurance companies did not disclose the number of board meetings held. Of those that disclosed the number of board meetings, just over half held between 6 to 10 board meetings a year and about 1-in-5 held 5 or fewer meetings. The mean (median) number of board meetings was 8 (7). The minimum was 3 meetings and the maximum 21 meetings. There were two insurance companies that held 16 or more board meetings.

60 is the median age of directors

- Thirty-four of the companies disclosed the tenure of independent directors. Just over half of the boards have independent directors with an average tenure of between four and seven years. About a quarter of the boards have independent directors who have served for an average of 3 years or less. In general, the average tenure of independent directors is relatively short.

- Thirty-one companies disclosed the tenure of their executive directors while four companies do not have executive directors on their board. Just over one-third of the insurance companies have executive directors with an average tenure of three years or less. One in five insurance companies have executive directors with an average tenure of more than seven years.

- Of the 27 companies that disclosed the age of directors on the board, one-third have directors whose average age is more than 60 years. The mean and median average age of directors of these 27 companies is 60 years. Boards of China insurance companies have the lowest average age of 57.6 years, followed by the Australia insurance companies which have an average age of 59 years.

- Thirty-three companies disclosed the external directorships held by their directors. For the 29 companies that have executive directors, three-quarters of their executive directors do not hold any external directorships in listed companies. Twenty-seven percent of the independent directors do not hold any other external directorships in listed companies, while 15% hold 3 to 5 external directorships.

DEMOGRAPHICS

- Twenty-seven percent of the independent directors have a majority of independent directors.

- 40% have a majority of independent directors.

- Thirty-four of the companies disclosed the tenure of independent directors. Just over half of the boards have independent directors with an average tenure of between four and seven years. About a quarter of the boards have independent directors who have served for an average of 3 years or less. In general, the average tenure of independent directors is relatively short.

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- Thirty-three companies disclosed the external directorships held by their directors. For the 29 companies that have executive directors, three-quarters of their executive directors do not hold any external directorships in listed companies. Twenty-seven percent of the independent directors do not hold any other external directorships in listed companies, while 15% hold 3 to 5 external directorships.
Seventy-four percent of companies or 37 companies disclosed director’s prior working experience. Of these, 40 percent do not have any independent directors with working experience in the insurance industry. Twenty percent of the companies disclosed they have at least 3 independent directors with such experience. More than 90 percent of the companies disclosed that they have at least one independent director with experience in a related financial industry.

Two-thirds of the insurance companies have a Chairman who has served in that role for 5 years or more. Just over a third of all Chairmen have served for 9 years or more. In contrast, 26 percent have been holding this role for two years or less. The median (median) tenure is 9 (6) years. The maximum tenure is 43 years.

Thirty-six companies disclosed the working experience of the Chairman. Of these, 11 chairmen have working experience in the industry, and 20 have related financial industry experience. Five independent and/or non-executive Chairmen have prior insurance industry experience while 14 have related financial industry experience.

For the 28 companies that disclosed age of the Chairman, the age ranged from 50 to 83 years old, with a median age of 64 years. The median number of directorships in other listed companies held by the Chairman was one directorship while the other nine by the NC and/or RC (or equivalent committee).

Executive and Director Remuneration

Comparisons of the remuneration of directors and key executives is hindered by inconsistent definitions and presentation formats between companies.

Twenty-three insurance companies disclosed the total dollar amount of remuneration of their highest-paid executive. For these companies, the mean total remuneration is USD22.03 million. The highest total remuneration is USD13.5 million.

The remuneration of the highest-paid executive does not follow a normal distribution. Neither is it correlated with company characteristics such as market capitalization, total assets, domicile or insurance company sector. This makes conventional pay benchmarking approaches that rely on peer comparisons difficult to apply and poses challenges for remuneration committees in setting executive remuneration.

Only one company disclosed the key performance indicators (KPIs) for the highest-paid executive. One company disclosed how risk is considered in designing the remuneration scheme, and there was a general lack of disclosure on the methodology used in designing the remuneration scheme and whether external consultants were used and their identity.

Of the 34 companies that disclosed their remuneration schemes for senior executives, share options are the most common form of share-based incentives used, with 14 companies having them in place. Four companies disclosed that they used restricted share awards while one disclosed it used other share awards.

Risk Management

Most insurance companies disclosed that they have some form of risk management framework or system in place. However, only 26 (52%) of the insurance companies disclosed that they have adopted enterprise risk management (ERM).

Just under a third of the insurance companies in our study disclosed that they have appointed a Chief Risk Officer (CRO). Of these, about one-third disclosed that the CRO holds one or more other positions within the insurance company.

11 chairmen out of the 36 companies have working experience in the industry.

52% have adopted enterprise risk management.
Audits and Implementation of Whistleblowing Policies

- The “Big 4” accounting firms audit almost 90 percent of the insurance companies. However, the audit market for insurance companies is dominated by Ernst & Young (EY), which audits half the insurance companies. Five of the six China insurance companies used both a domestic auditor and an international auditor. In all cases, the local auditors were the local counterparts of the Big 4 international firms. All the Indian, Indonesian and Bangladeshi companies used non-Big 4 firms as auditors.
- Of the 50 insurance companies, only 31 disclosed external audit fees. Two companies disclosed “auditors’ remuneration” without any indication as to whether the remuneration includes remuneration for non-audit services. Sixteen of these insurance companies did not provide any further breakdown of audit fees, such as the amount paid for the audit of the parent company and for subsidiaries within the group. For the 29 companies that disclosed audit fees separately, the median audit fee is USD1.03 million while the mean is USD3.06 million. The maximum fee is USD18.4 million.
- Only four companies disclosed the tenure of external auditors – all of which are Chinese companies.
- Twenty-eight companies disclosed separately the non-audit fees paid to the external auditors. For these companies, the mean (median) non-audit fees was USD1.07 million (USD143,226), with a maximum of USD10.9 million.
- Nine companies provided a further breakdown of the types of non-audit services provided and the amounts.
- Only 21 companies disclosed that they have a whistleblowing policy in place. Eight of these companies disclosed that their whistleblowing policy allows for anonymous complaints while four disclosed that their policy covers whistleblowing by external parties.

Comparisons of Different Types of Insurance Companies

In general, companies with a life insurance business appear to have less developed corporate governance practices than those with other types of insurance business, such as general insurance. They tend to have larger boards, a lower percentage of independent directors, a lower percentage of independent directors with industry experience, and fewer board committees. The only exceptions are that companies with life insurance business have slightly more independent directors with related financial industry experience (as opposed to experience in the insurance industry) and are somewhat more likely to have an investment committee.

KEY RECOMMENDATIONS

Our key recommendations for improving the corporate governance of Asia-Pacific insurance companies are:

Corporate and Ownership Structures

RECOMMENDATION 1
REVIEW CORPORATE AND OWNERSHIP STRUCTURES AND MAKE THEM MORE TRANSPARENT

- There should be greater transparency of direct and deemed ownership of substantial shareholders of insurance companies.
- Where the insurance company is a subsidiary of another company, this relationship should be clearly disclosed.
- Where an insurance company is a material unlisted subsidiary of another holding company, the holding company should be required to disclose corporate governance and financial information of the insurance subsidiary.
- Pyramid or complex cross-ownership structures for insurance companies should be discouraged, and if used, should be clearly disclosed.

Board Structure and Practices

BOARD OF DIRECTORS

RECOMMENDATION 2
REVIEW BOARD SIZES

Insurance companies should review the size of their boards to ensure that they are able to draw on an adequate range of skills and experience, a diversity of viewpoints, and meet requirements for independent directors on the board. However, they should also ensure that their boards are not overly large such that they become unwieldy and ineffective. We recommend a board size range of between 6 to 11 members, but note that the appropriate size depends on the company’s circumstances.

RECOMMENDATION 3
REVIEW THE NUMBER OF INDEPENDENT DIRECTORS AND HOW THEIR INDEPENDENCE IS DETERMINED

Insurance companies should aim to have a majority of independent directors on their boards. They should also clearly disclose the criteria and process used for determining independence of directors.

USD$1.03 MILLION
is the median audit fee
RECOMMENDATION 4
REVIEW THE NUMBER OF EXECUTIVE DIRECTORS

Insurance companies should limit the number of executive directors on their boards. Where the chief executive officer, or equivalent, is not a member of the board, the board should consider if this will limit the fiduciary responsibilities of the CEO and reduce his engagement with the board’s decision-making process.

RECOMMENDATION 5
REVIEW THE DIVERSITY ON THE BOARD AND THE PROCESSES TO IMPROVE IT

Boards should adopt robust processes in searching for and nominating directors; and should ensure that the directors collectively have a diversity of skills, experience and perspectives. Where there are no or few directors of a particular gender, they should review their search and nomination process to ensure that they are casting their net sufficiently wide to identify the most suitable directors.

RECOMMENDATION 6
CONSIDER APPOINTING AN INDEPENDENT CHAIR IF ONE IS NOT ALREADY IN PLACE

Companies should ensure that there is an effective separation between leadership for governance and management. This is best achieved by appointing an independent Chairman who has strong leadership skills and good understanding of the business.

RECOMMENDATION 7
REVIEW THE PLANNING AND SCHEDULING OF BOARD MEETINGS

Boards should ensure that they meet sufficiently regularly for them to be able to keep abreast of the affairs of the company and to discharge their fiduciary responsibilities, without becoming involved in the management of the company. As a general guide, we suggest scheduled bi-monthly meetings, which are planned well in advance, and additional ad-hoc meetings when necessary.

RECOMMENDATION 8
REVIEW THE STRUCTURE AND RESPONSIBILITIES OF BOARD COMMITTEES AND THOSE WHO SERVE ON THEM

- a All companies should establish audit, remuneration and nominating committees, which should be chaired by independent directors, with all members being non-executive and/or independent directors.
- b Companies can consider combining the remuneration and nominating committees to adopt a holistic approach to formulating policies and recommendations on issues such as those related to selection, development, succession planning, performance assessment and remuneration of directors and key officers.
- c Where committees are combined, boards should consider whether there are potential conflicts in the responsibilities of the committees and whether they are spending enough time in discharging the wider responsibilities.

RECOMMENDATION 9
BE MORE TRANSPARENT ABOUT DIRECTOR DEMOGRAPHICS

Companies should be more transparent about the demographics of their directors. Where there are perceived sensitivities in disclosing age or gender, companies can disclose information on age distribution across all the directors (such as average age and range of ages). Although age should not be a barrier to the appointment of a director to the board, it is nevertheless beneficial for boards to have a diversity in age of directors so that there is a mix of deep experience and knowledge of modern business practices and current trends.

RECOMMENDATION 10
REVIEW THE TIME DIRECTORS NEED TO DEVOTE TO THE COMPANY IN ORDER TO BE EFFECTIVE

- a Companies should be transparent about directorships and other key appointments held by directors. This will allow stakeholders to better assess the commitments of directors and possible conflict of interest.
- b Companies should specify time commitments expected of directors. They should adopt policies on number of external directorships that can be held by non-executive and executive directors.

RECOMMENDATION 11
BE MORE TRANSPARENT ABOUT DIRECTORS’ EXPERIENCE

Companies should disclose the presence of prior experience in the industry and related industries among the non-executive and independent directors. Relevant industry experience amongst the independent directors can allow them to better assess the appropriateness and risks of strategies of the company.

RECOMMENDATION 12
PAY MORE ATTENTION TO SUCCESION PLANNING FOR DIRECTORS AND SENIOR EXECUTIVES

- a Companies should disclose the tenure or date of first appointment of directors.
- b Boards should plan for succession to ensure that there is a balance between continuity and renewal of their non-executive/independent directors, so that there is sufficient knowledge about the company and business among these directors at all times, while also having new directors appointed from time to time to ensure fresh perspectives.
- c Boards should ensure that there is succession planning for executive directors and key senior executives so that retirements or resignations of such key officers do not create significant disruptions to the company’s operations.
**Recommendation 13**

**Review the Process of Board & Director Performance Assessment**

a. Companies should undertake performance assessment for the board, key committees and individual directors.

b. Companies should disclose the process and criteria used for board-related assessments.

c. Boards should seek the views of senior management and key external stakeholders, such as institutional investors, about their performance and they should consider the need to engage external consultants to assist with their board-related assessments.

d. Boards should ensure that the results of board-related assessments are considered in their board succession planning and search and nomination process for directors.

**Recommendation 14**

**Be Transparent about CEO Performance Assessment**

Companies should disclose whether they undertake formal performance assessment of the CEO and the process and criteria used in this assessment.

**Recommendation 15**

**Review and Improve Remuneration Disclosures**

a. Given the currently poor disclosure of remuneration, remuneration committees should consider alternative approaches to supplement external pay benchmarking for setting remuneration of the CEO and key executives, such as internal pay benchmarking.

b. Companies should follow accepted definitions of remuneration components such as base salary, benefits, short-term incentives and long-term incentives in their remuneration disclosures.

c. Companies should provide clear disclosure of the remuneration level, remuneration components and key performance indicators for their CEO/highest-paid executive; methodology used in designing the remuneration schemes; and the identity of external consultants used, if any.

d. Companies should provide clear disclosure of the remuneration level of the Chairman and individual directors, the structure of non-executive director remuneration, and the use of share-based remuneration, if any.

**Recommendation 16**

**Be More Transparent about the Company’s Approach to Risk Management**

a. Companies should disclose the risk management framework that underpins their approach to risk management.

b. Companies should disclose whether they have appointed a chief risk officer (CRO) and the role, key responsibilities and reporting relationships of the CRO.

**Recommendation 17**

**Improve Disclosures Relating to Audit Practices and Auditors**

Companies should disclose the following information regarding their external auditors:

a. year of first appointment or total tenure since first appointment;

b. total audit fees paid to the auditor and its network firms for audit of the company and group;

c. total non-audit fees paid to the external auditor and its network firms;

d. the nature of non-audit services provided by the external auditor and its network firms;

e. the approval process for non-audit services provided by the external auditor and its network firms.

**Recommendation 18**

**Ensure an Effective Whistleblowing Policy is in Place**

Companies should put in place a whistleblowing policy that allows employees and external parties to raise concerns about unethical behaviour.
This study examines the corporate governance of 50 of the largest Asia-Pacific listed insurers by market capitalisation, including their corporate and ownership structures, board composition and committees, executive and director remuneration, risk management, audits and implementation of whistleblowing policies. It is a follow-up of our study of 50 of the largest Asian banks published in 2013. However, this study covers insurance companies in Asia-Pacific, rather than just those in Asia.

We first ranked the largest Asia-Pacific listed insurers by market capitalisation and examined whether adequate and up-to-date information was publicly available. We focus on insurers that are listed to ensure that there is adequate publicly-available information. There are some large insurance companies in Asia-Pacific that are unlisted subsidiaries of banks or other companies which are not in our study because, as unlisted companies, there is little publicly available information. Further, not all listed insurers provided comprehensive information about their corporate governance or kept the information up-to-date, some did not provide annual reports in English, while one was newly listed and its first annual report was not yet publicly available. As a result, 16 listed insurers were dropped and replaced by the next largest insurer. The listed insurance companies that were dropped were mostly from South Korea, Taiwan and Thailand.
Geographical Distribution

The 50 insurers included in the final sample come from 15 countries: Australia (7 companies), Bangladesh (1), China (6), Hong Kong (4), India (2), Indonesia (2), Japan (6), Malaysia (6), New Zealand (1), Singapore (1), South Korea (4), Sri Lanka (1), Taiwan (5), Thailand (3) and Vietnam (1). Data were collected between March and May 2014 using 2013 annual reports for 30 companies and 2012 annual reports for 20 companies, supplemented by other sources such as company websites and regulatory filings. The list of the 50 insurers included in our study is shown in Appendix 1.

Size

For the 50 insurers, the mean (median) market capitalisation is USD10.1 billion (USD2.6 billion). The smallest insurer has market capitalisation of USD219 million and the largest insurer has market capitalisation of USD75.3 billion. In terms of total assets, the mean (median) total assets is USD78.4 billion (USD17.8 billion). The smallest insurer has total assets of USD87.3 million and the largest insurer has total assets of USD555.2 billion.

Type of Insurance Company

Figure 1 shows the breakdown by type of insurance company. Twelve percent of the companies are focused, offering either life, general or reinsurance products and services only, while 60 percent offer all three types of products and services.

Unitary Versus Two-Tier Boards

Seventeen insurance companies in our sample have a two-tier board structure. These include those from China, Indonesia, Japan, Taiwan and Vietnam. For all the companies except those from Indonesia, we used information from the board of directors in our analysis of board structure and practices. For the two Indonesian insurance companies, we used the board of commissioners.

For insurance companies with a two-tier board structure, the decision to use the “board of directors” in most of the cases was based on our understanding of the roles of the “supervisory board” versus the “board of directors”. In many Asia-Pacific countries with a two-tier board structure, the “supervisory board” has a rather limited role of ensuring compliance with relevant rules and regulations and the company’s constitution; rather than involvement in key board functions such as reviewing and approving strategies, setting policies, and the hiring, firing and remuneration of senior management.
CORPORATE AND OWNERSHIP STRUCTURES

Based on disclosures by the insurance companies, 16 of the insurance companies are subsidiaries of holding companies. Thirty-seven insurance companies are themselves holding companies, with other subsidiaries in industries such as insurance, banking and asset management.

Figure 2 shows the type of substantial shareholders (owning 5% or more of the voting shares) in the 50 insurance companies. Twelve companies did not disclose their substantial shareholder ownership, while one company did not have a substantial shareholder.

For the remaining 37 companies, institutional investors/fund managers (hereafter referred to simply as “institutional investors”) are the most common type of substantial shareholders, with 44 of these substantial shareholders present in 22 of the insurance companies. The mean (median) ownership of these institutional investors is 21.3% (12.7%). The state (government) is a substantial shareholder in nine insurance companies, which is vastly different from the 50 large Asian banks we looked at, where the government as the largest substantial shareholder. However, the most common largest substantial shareholder are those in the “others” category, such as banks, other insurance companies, and industrial corporations. Only one company has a family as the largest substantial shareholder. One company does not have any substantial shareholder while 12 companies did not disclose their substantial shareholder ownership. This again shows that the ownership of insurance companies in the Asia-Pacific is substantially different from the ownership of the Asian banks reported in our earlier study.

Of the 50 insurance companies, 17 have a pyramid structure or complex cross-holdings. Thirty-three of the companies do not have such ownership structures or there was insufficient information for us to determine if they do. Pyramid structure or complex cross-holdings may result in major shareholders being able to control an insurance company with relatively low beneficial ownership, resulting in a divergence between cash flow and control rights. The existence of a pyramid structure or complex cross-holdings is based on whether the largest shareholder holds shares through a chain of private entities.

Figure 3 shows the largest substantial shareholder of the 50 insurance companies. Twelve companies have an institutional investor or fund manager as the largest substantial shareholder, and seven have the government as the largest substantial shareholder. However, the most common largest substantial shareholder are those in the “others” category, such as banks, other insurance companies, and industrial corporations. Only one company has a family as the largest substantial shareholder. One company does not have any substantial shareholder while 12 companies did not disclose their substantial shareholder ownership. This again shows that the ownership of insurance companies in the Asia-Pacific is substantially different from the ownership of the Asian banks reported in our earlier study.

Note: Based on 37 companies. 12 companies did not disclose their substantial shareholder ownership while 1 company did not have a substantial shareholder. Examples of substantial shareholders in the “others” category include banks, other insurance companies and industrial corporations.
RECOMMENDATION 1
REVIEW CORPORATE AND OWNERSHIP STRUCTURES AND MAKE THEM MORE TRANSPARENT

a. There should be greater transparency of direct and deemed ownership of substantial shareholders of insurance companies.

b. Where the insurance company is a subsidiary of another company, this relationship should be clearly disclosed.

c. Where an insurance company is a material unlisted subsidiary of another holding company, the holding company should be required to disclose corporate governance and financial information of the insurance subsidiary.

d. Pyramid or complex cross-ownership structures for insurance companies should be discouraged, and if used, should be clearly disclosed.

BOARD STRUCTURE AND PRACTICES
In this section, we discuss the board structure and practices of the insurance companies.

Board Size
Figure 4 shows the distribution of board size for the 50 insurance companies. Five insurance companies have 15 or more board members, about one-third of the boards have between 11 and 14 board members, and about one quarter have between 9 and 10 members. Seven insurance companies have 6 or fewer board members. The mean and median board size is 10 members, with the largest board having 19 members and the smallest having 3 board members. 4

On average, board size of the Asia-Pacific insurance companies seems to be appropriate and in line with current recommendations, and tends to be smaller than board size of banks.

4 The company with 3 members on its board is PT Infin Financial TBK.

Figure 4 Board Size

<table>
<thead>
<tr>
<th>Board Size Range</th>
<th>Percentage</th>
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<tr>
<td>15-20</td>
<td>10%</td>
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<td>11-12</td>
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<td>9-10</td>
<td>24%</td>
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<td>7-8</td>
<td>22%</td>
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<td>6 or less</td>
<td>14%</td>
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Figure 4 Board Size
Nevertheless, those insurance companies with relatively large boards and very small boards should review the size of their boards to determine if they are appropriate. A large board size may result in inefficient decision-making and is at odds with much of the literature suggesting that smaller boards are more effective. It also goes against the concerns of institutional investors about large boards. There is a global trend of decreasing board size for industrial and financial companies.

However, the complexity of the business of the insurance companies, such as range of businesses lines and the number of markets they operate in, will affect the range of skills and experience needed and may impact board size. Nevertheless, Asia-Pacific insurance companies with large boards should focus more attention on managing their board size, by being more careful in their selection of directors and trying to recruit directors who are able to bring multiple skill sets and diversity of perspectives to the boardroom. A larger board size does not necessarily equate with greater independence, competency, diversity or effectiveness.

On the other hand, the insurance companies with very small boards need to consider if they have the requisite mix of skills and experience and diversity of perspectives on the board with so few board members.

**RECOMMENDATION 2**

**REVIEW BOARD SIZES**

Insurance companies should review the size of their boards to ensure that they are able to draw on an adequate range of skills and experience, a diversity of viewpoints, and meet requirements for independent directors on the board. However, they should also ensure that their boards are not overly large such that they become unwieldy and ineffective. We recommend a board size range of between 6 to 11 members, but note that the appropriate size depends on the company’s circumstances.
RECOMMENDATION 3
REVIEW THE NUMBER OF INDEPENDENT DIRECTORS AND HOW THEIR INDEPENDENCE IS DETERMINED

Insurance companies should aim to have a majority of independent directors on their boards. They should also clearly disclose the criteria and process used for determining independence of directors.

EXECUTIVE DIRECTORS

Of the 45 companies that disclosed the number of executive directors, about one in six insurance companies have executive directors making up a majority of the board of directors, while another 14% have executive directors making up between one-third and half the directors on the board (Figure 7). Where executive directors make up a substantial proportion of the board, the independence of the board in overseeing management may be compromised. In the case of the insurance companies with executive directors making up a majority of the board, the boards in such cases are in effect management or executive boards, rather than governing boards.

The board of commissioners for the two Indonesian insurance companies do not have executive directors. In addition, there are two other insurance companies (in India and Malaysia) with no executive director on the board. Another fifteen of the insurance companies (30%) have the CEO (or equivalent) as the only executive director of the board. In our view, it is good practice to limit the proportion of executive directors. However, having the CEO as an executive director allows the CEO to have a say in board decisions and to take better ownership of these decisions. It will also ensure that the CEO owes fiduciary duties and other director duties and liabilities under the law, in cases where law and regulations only impose such duties and liabilities on directors. We are not persuaded by the merits of having a board of directors without any executive director, i.e., a totally non-executive board.

Note: Based on 47 companies. 3 companies did not disclose the number of independent directors.

Figure 6 Proportion of Independent Directors

<table>
<thead>
<tr>
<th>&lt;1/3</th>
<th>1/3 to 1/2</th>
<th>&gt;1/2 to 2/3</th>
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<tr>
<td>25.5%</td>
<td>34%</td>
<td>25.5%</td>
<td>15%</td>
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Note: Based on 45 companies. 5 companies did not disclose the number of executive directors.

Figure 7 Proportion of Executive Directors

<table>
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<th>&lt;1/3</th>
<th>1/3 to 1/2</th>
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<tr>
<td>9%</td>
<td>62%</td>
<td>13.5%</td>
<td>2%</td>
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RECOMMENDATION 4
REVIEW THE NUMBER OF EXECUTIVE DIRECTORS

Insurance companies should limit the number of executive directors on their boards. Where the chief executive officer, or equivalent, is not a member of the board, the board should consider if this will limit the fiduciary responsibilities of the CEO and reduce his engagement with the board’s decision-making process.

WHERE EXECUTIVE DIRECTORS MAKE UP A SUBSTANTIAL PROPORTION OF THE BOARD, THE INDEPENDENCE OF THE BOARD IN OVERSEEING MANAGEMENT MAY BE COMPROMISED.

FEMALE DIRECTORS

Asian insurance companies in general lack gender diversity on their boards. Nearly half of the insurance companies have no female director and another one-third have just one (Figure 8). The mean and median number of female directors is 0.9 and 1 respectively. However, one insurance company, Bangkok Life Assurance from Thailand, has five female directors.

There were two insurance companies with a female Chairman and they were QBE Insurance Group from Australia and Great Eastern Holdings from Singapore, although both have since retired and being replaced by male Chairmen. There were no insurance companies with a female CEO. In terms of chairmanship of the most common board committees – audit, nominating and remuneration committees – 11% of chairmen of these committees are female directors.

RECOMMENDATION 5
REVIEW THE DIVERSITY ON THE BOARD AND THE PROCESSES TO IMPROVE IT

Boards should adopt robust processes in searching for and nominating directors; and should ensure that the directors collectively have a diversity of skills, experience and perspectives. Where there are no or few directors of a particular gender, they should review their search and nomination process to ensure that they are casting their net sufficiently wide to identify the most suitable directors.

Note: Based on 46 companies. 4 companies did not disclose the gender of the directors or there was insufficient information disclosed to determine gender.

Figure 8 Number of Female Directors
Board Leadership

SEPARATION OF CHAIRMAN AND CEO ROLES

Figure 9 shows the separation of the Chairman and CEO roles in the insurance companies. Ninety percent of the insurance companies have two different individuals holding the Chairman and CEO positions in the company. However, almost half of them have a Chairman who is an executive (that is, he is either an Executive Chairman or he also holds the CEO position or equivalent). In these cases, there is likely to be no effective separation of the Chairman and CEO roles. One-third of the insurance companies have an independent Chairman.

Figure 9 Separation of Chairman and CEO Roles

<table>
<thead>
<tr>
<th>Role</th>
<th>Non-Executive Director</th>
<th>Independent Director</th>
<th>Executive Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>33%</td>
<td>24%</td>
<td>57%</td>
</tr>
</tbody>
</table>

PROFILING OF CHAIRMAN

Two-thirds of the insurance companies have a Chairman who has served in that role for 5 years or more (Figure 10). Just over a third of all Chairmen have served for 9 years or more. In contrast, 26 percent have been holding this role for two years or less (Figure 10). The mean (median) tenure is 9 (6) years. The maximum tenure is 43 years.

Board renewal is important and there should be planned succession of the Chairman position in insurance companies. However, it is also important that a good Chairman should be selected and then allowed to hold this position for a reasonable length of time to ensure effective board leadership. The Chairman for an insurance company needs to have or to develop a good understanding of the business in order to lead the board effectively.

Figure 10 Tenure of Chairman

Note: Based on 42 companies. 8 companies did not disclose if the Chairman is an executive, non-executive or independent.

Note: Based on 35 companies. 15 companies did not disclose the tenure of the Chairman.
Thirty-six companies disclosed the working experience of the Chairman. Of these, 11 chairmen have working experience in the industry, and 20 have related financial industry experience. Five independent and/or non-executive chairmen have prior insurance industry experience while 14 have related financial industry experience. For the 28 companies that disclosed age of the Chairman, the age ranged from 50 to 83 years old, with a median age of 64 years. The median number of directorships in other listed companies held by the Chairman was one directorship, with a maximum of 4 other directorships.

**RECOMMENDATION 6**

**CONSIDER APPOINTING AN INDEPENDENT CHAIR IF ONE IS NOT ALREADY IN PLACE**

Companies should ensure that there is an effective separation between leadership for governance and management. This is best achieved by appointing an independent Chairman who has strong leadership skills and good understanding of the business.

**BOARD RENEWAL IS IMPORTANT AND THERE SHOULD BE PLANNED SUCCESSION OF THE CHAIRMAN POSITION IN INSURANCE COMPANIES.**

**Board Meetings**

Thirteen insurance companies did not disclose the number of board meetings held, which is disappointing as this is a standard disclosure item in many corporate governance codes. Of those that disclosed the number of board meetings, just over half held between 6 to 10 board meetings a year and about 1-in-5 held 5 or fewer meetings (Figure 11). The mean (median) number of board meetings was 8 (7). The minimum was 3 meetings and the maximum 21 meetings. There were two insurance companies that held 16 or more board meetings. These two companies also held a large number of board meetings in prior years. One is an Australian insurance company while the other is Japanese.

**Figure 11 Number of Board Meetings**

Note: Based on 37 companies. 13 companies did not disclose the number of board meetings held.
The board needs to be sufficiently active and engaged. Although it is difficult to generalise about the appropriate number of board meetings per year, those boards which met five or less times per year should review whether they are sufficiently active to discharge their fiduciary responsibilities and to add value to the company. On the other hand, the two boards that met 16 or more times a year, and have a large number of meetings on a recurring basis, may need to review if they are too involved in the management of the company.

RECOMMENDATION 7
REVIEW THE PLANNING AND SCHEDULING OF BOARD MEETINGS

Boards should ensure that they meet sufficiently regularly for them to be able to keep abreast of the affairs of the company and to discharge their fiduciary responsibilities, without becoming involved in the management of the company. As a general guide, we suggest scheduled bi-monthly meetings, which are planned well in advance, and additional ad-hoc meetings when necessary.

Board Committees

Forty-four out of the 50 insurance companies have an audit committee. Together with the remuneration committee, the audit committee is the most common of all committees (Table 1). Of these 44 companies, two have an audit and supervisory board undertaking the function of the audit committee. Seven of these companies have a combined audit and risk committee, while one has an audit, risk and compliance committee. The mean (median) number of members on these audit committees is 3.8 (4), with a minimum of 2 and a maximum of 6 members. Interestingly, three audit committees have a mix of non-executive and executive directors. Most corporate governance codes and regulations state that audit committees should not include executives as members.

There are also 44 insurance companies with a remuneration committee. However, only 29 are pure remuneration committees. Twelve companies have a combined nomination and remuneration committee; one has a nomination, remuneration and review committee; and two have a remuneration and succession planning committee. The fact that a number of insurance companies are combining their nomination and remuneration committees is not surprising given the complementary and overlapping responsibilities of these committees. We believe that more insurance companies should consider combining these two committees to avoid over-fragmenting the responsibilities of the board and to better ensure that issues of succession planning, nomination, talent development, performance assessment and remuneration are addressed in a holistic manner. However, it is important that when committees are combined, sufficient attention is paid to all the different areas that fall within the responsibilities of these committees. In terms of size of the remuneration committees, it is similar to audit committees.

The next most common committee is the nomination or nominating committee, followed closely by the risk committee. Thirty-four companies have a nomination committee although as mentioned above, 13 have combined them with a remuneration committee. On average, nomination committees are slightly larger than other board committees. This is consistent with regulations for financial institutions in some countries imposing large membership requirements on the nomination committee and regulators’ and boards’ views that more board members should participate in matters that are under the purview of the nomination committee.
Thirty-three companies have a risk committee, and as mentioned earlier, eight of these have combined the risk committee with an audit/compliance committee. One calls its risk committee a risk and capital committee, and two have a risk and investment committee. An interesting issue is whether combining the functions of a risk and investment committee may result in conflict in its roles. The size of risk committees is similar to the audit and remuneration committees.

Beyond the above committees that are commonly recommended or required, investment committees are also reasonably common amongst insurance companies. Seven insurance companies have a “pure” investment committee, six have a strategy and investment committee, two have a risk and investment committee, and one has an investment and finance committee.

Four of the insurance companies also have an executive committee. These are insurance companies from Hong Kong (2), Malaysia and Singapore. Insurance boards which have established an executive committee should carefully consider the need for it, as it may be a symptom of either the board being too large or being too involved in “executive” matters.

There is also a risk of the executive committee becoming a “board within a board”, making key decisions without the involvement of the full board. The two Hong Kong insurance companies with executive committees only have executive directors on these committees and a review of their terms of reference suggests that they are management committees set up to help implement board decisions and to manage the business.

Table 1 Major Board Committees

<table>
<thead>
<tr>
<th>Name of Committee</th>
<th>No. of Boards with Committees</th>
<th>No. of Members in Committee Mean</th>
<th>Median</th>
<th>Min.</th>
<th>Max.</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>44</td>
<td>3.8</td>
<td>4</td>
<td>2</td>
<td>6</td>
<td>Only 36 are pure audit committees including 2 boards where the function is assumed by the Audit and Supervisory Board. The rest are combined committees: audit and risk (7); audit, risk and compliance (1).</td>
</tr>
<tr>
<td>Remuneration</td>
<td>44</td>
<td>3.9</td>
<td>4</td>
<td>2</td>
<td>6</td>
<td>Only 29 are pure remuneration committees. The rest are combined committees: nomination and remuneration (12); nomination, remuneration and review (1); remuneration and succession planning (2).</td>
</tr>
<tr>
<td>Nomination</td>
<td>34</td>
<td>4.5</td>
<td>4</td>
<td>3</td>
<td>8</td>
<td>Only 21 are pure nomination committees. The rest are combined committees: nomination and remuneration (12); nomination, remuneration and review (1).</td>
</tr>
<tr>
<td>Risk</td>
<td>33</td>
<td>4.3</td>
<td>4</td>
<td>2</td>
<td>6</td>
<td>Only 22 are pure risk committees. The rest are combined committees: audit and risk (7); audit, risk and compliance (1); risk and investment (2); risk and capital (1).</td>
</tr>
</tbody>
</table>
In our study, 17 of the 50 insurance companies have a two-tier board structure, with a board of directors or equivalent, and a separate supervisory board, board of auditors or equivalent. In a two-tier board structure, the supervisory board may assume some of the functions that are undertaken by committees in companies with a single-tier board structure. For example, the supervisory board or board of auditors may have responsibilities which are to some extent similar to an audit committee in companies with a single board of directors.

Figure 12 shows a comparison of the establishment of different board committees for companies with single-tier and two-tier boards. Two-tier boards are slightly less likely to establish an audit committee. However, the establishment of other committees is comparable for single-tier and two-tier boards, and in some cases, more likely for two-tier boards.

**RECOMMENDATION 8**
**REVIEW THE STRUCTURE AND RESPONSIBILITIES OF BOARD COMMITTEES AND THOSE WHO SERVE ON THEM**

- **a** All companies should establish audit, remuneration and nominating committees, which should be chaired by independent directors, with all members being non-executive and/or independent directors.

- **b** Companies can consider combining the remuneration and nominating committees to adopt a holistic approach to formulating policies and recommendations on issues such as those related to selection, development, succession planning, performance assessment and remuneration of directors and key officers.

- **c** Where committees are combined, boards should consider whether there are potential conflicts in the responsibilities of the committees and whether they are spending enough time in discharging the wider responsibilities.

![Figure 12: Comparison of Board Committees for Single-Tier and Two-Tier Boards](chart.png)
Directors’ Profile

AGE OF DIRECTORS

Twenty-three insurance companies did not disclose the age of directors on the board. Interestingly, all the six China, six Malaysia and four Hong Kong insurance companies disclosed the age of directors, while none of the four South Korean and five Taiwanese insurance companies did. The five insurance companies from Bangladesh, New Zealand, Singapore, Sri Lanka and Vietnam also did not disclose age of directors.

For the companies that disclosed age of directors, Figure 13 shows that one-third have directors whose average age is more than 60 years. The mean and median average age of directors of the 27 insurance companies that disclosed age of directors is 60 years.

Table 2 shows the average age of directors across the countries where at least one insurance company has disclosed the age of directors. Boards of China insurance companies have the lowest average age of 57.6 years, followed by the Australia insurance companies which have an average age of 59 years. In all the other countries, the average age of directors is 60 years or more, with Indonesian directors having the highest average age. We did not find any correlation between average age of directors and population demographics such as median age of the population and retirement age.

RECOMMENDATION

BE MORE TRANSPARENT ABOUT DIRECTOR DEMOGRAPHICS

Companies should be more transparent about the age of their directors. Where there are perceived sensitivities in disclosing age of individual directors, companies can disclose information on age distribution across all the directors (such as average age and range of ages). Although age should not be a barrier to the appointment of a director to the board, it is nevertheless beneficial for boards to have a diversity in age of directors so that there is a mix of deep experience and knowledge of modern business practices and current trends.

Table 2 Average Age of Directors Across Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of Companies</th>
<th>Average Age of Boards</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>7</td>
<td>59.0</td>
<td>Average calculated based on 4 companies since 3 companies did not disclose the age of directors.</td>
</tr>
<tr>
<td>China</td>
<td>6</td>
<td>57.6</td>
<td>Based on 6 companies.</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>4</td>
<td>60.9</td>
<td>Based on 4 companies.</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
<td>60.0</td>
<td>Average is that of 1 company since the other company did not disclose the age of directors.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2</td>
<td>62.0</td>
<td>Based on 2 companies.</td>
</tr>
<tr>
<td>Japan</td>
<td>6</td>
<td>61.5</td>
<td>Average calculated based on 2 companies since 4 companies did not disclose the age of directors.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>6</td>
<td>60.4</td>
<td>Based on 6 companies.</td>
</tr>
<tr>
<td>Thailand</td>
<td>3</td>
<td>61.0</td>
<td>Average calculated based on 2 companies since 1 company did not disclose the age of directors.</td>
</tr>
</tbody>
</table>

Note:
1. All 4 South Korean companies and all 5 Taiwanese companies did not disclose the age of the directors.
2. All countries with only 1 company represented (Bangladesh, New Zealand, Singapore, Sri Lanka and Vietnam) did not disclose the age of the directors.
NUMBER OF DIRECTORSHIPS

When directors hold too many directorships, it is likely to adversely affect their commitment and limit their contributions. Holding too many external directorships also increases the potential risk of conflicts of interest.

Executive directors holding directorships outside of the group also raises the issue of whether they ought to be spending their time in their full-time jobs. Some regulations and codes of corporate governance impose strict rules on executive directors holding external directorships.

Figures 14 and 15 show the average number of directorships in listed companies held by executive directors and independent directors respectively outside the insurance company or group. About 8 in 10 of the insurance companies have executive directors who do not hold any external directorship (Figure 14).

27% of the insurance companies have independent directors who do not hold any external directorships, while 15% have independent directors who hold an average of 3 to 5 external directorships (Figure 15).

Insurance companies should have policies in place on their executive directors serving on boards of companies outside of the company and group, and should consider reasonably strict limits on the number of external boards their executive directors can serve on. They should also consider having guidelines of maximum number of boards of listed companies that their non-executive directors can serve on, especially if the regulators themselves have not imposed any limits.

RECOMMENDATION

10

REVIEW THE TIME DIRECTORS NEED TO DEVOTE TO THE COMPANY IN ORDER TO BE EFFECTIVE

a Companies should be transparent about directorships and other key appointments held by directors. This will allow stakeholders to better assess the commitments of directors and possible conflict of interest.

b Companies should specify time commitments expected of directors. They should adopt policies on number of external directorships that can be held by non-executive and executive directors.

Note: Based on 29 companies. 17 companies did not disclose other directorships of executive directors while 4 did not have executive directors.

Note: Based on 33 companies. 17 of the companies did not disclose other directorships of independent directors.
In order for independent directors to be able to effectively help shape the strategies of an insurance company and to carry out their oversight roles, it is important that there is some insurance industry experience among the independent directors. Figure 16 shows the number of independent directors who have prior working experience in the insurance industry. We define prior working experience as having worked full-time in an insurance company. It does not include experience as a non-executive or independent director.

We can see that 2-in-5 insurance companies do not have any independent directors with working experience in the insurance industry, while about 1-in-5 have at least 3 independent directors with such experience. Insurance companies without any independent directors with recent working experience in the insurance industry should make the recruitment of such independent directors a priority – although it is unnecessary, and arguably undesirable, for all independent directors to be from the same industry. Recently retired senior executives in the insurance industry, including those from other countries, should be actively considered as candidates for appointment as independent directors, perhaps with the assistance of executive search firms. It is also important for insurance companies to have in place comprehensive induction and continuing education programs for their independent and non-executive directors that include keeping them abreast of developments in the industry.

Figure 17 shows that most boards have at least one independent director with experience in a related financial industry sector. A director is defined as having related financial industry experience if he has worked in financial firms such as banks, mutual funds, hedge funds, private equity, pension funds and investment-related businesses. Experience as a non-executive/independent director is not considered. Such experience in related financial industry can be particularly useful in overseeing the investment of funds by the insurance company.

**Recommendation**

**BE MORE TRANSPARENT ABOUT DIRECTORS’ EXPERIENCE**

Companies should disclose the presence of prior experience in the industry and related industries among its non-executive and independent directors. Relevant industry experience amongst the independent directors can allow them to better assess the appropriateness and risks of strategies of the company.

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**Figure 16** Number of Independent Directors on the Board with Prior Experience in the Insurance Industry

- 40% with 0 directors
- 38% with 1-2 directors
- 22% with 3-4 directors

**Figure 17** Number of Independent Directors on the Board with Prior Experience in Related Financial Industry

- 51% with 0 directors
- 35% with 1-2 directors
- 6% with 5 or more directors
There has been concern globally about long tenure of independent directors, and many countries now consider long tenure to be a threat to the independence of directors, with some regulators prescribing limits on tenure for independent directors through regulations or guidelines.

Thirty-four of the companies in our study disclosed the tenure of independent directors. We calculated the average tenure of the independent directors for each of these 34 companies. Figure 18 shows the distribution of the average tenure of the independent directors.

Just over half of the boards have independent directors with an average tenure of between four and seven years. About a quarter of the boards have independent directors who have served for an average of 3 years or less. In general, the average tenure of independent directors is relatively short. Only 18% of boards have average tenure of more than 7 years. However, compared to large Asian banks, average tenure of independent directors on boards of Asia-Pacific insurance companies is generally longer.

Figure 19 shows that exactly half the boards do not have any independent directors who have served for more than 9 years, which is a maximum tenure for independent directors imposed by some regulators. This compares with 86% for large Asian banks. Four insurance companies (12%) have three or four independent directors who have served for more than 9 years. These companies may need to consider more actively the need for board renewal and bringing in some new independent directors who can provide new perspectives.

While long tenure of independent directors is considered a threat to independence, long tenures are not necessarily a bad thing for executive directors, if the company has been performing well. Just over one-third of the insurance companies have executive directors with an average tenure of three years or less (Figure 20). One in five insurance companies have executive directors with an average tenure of more than seven years. Compared to large Asian banks, Asia-Pacific insurance companies have a narrower distribution of average tenure of executive directors – in other words, extremely short and long tenures of executive directors are less common in the insurance companies than in the banks.
**RECOMMENDATION 12**

**PAY MORE ATTENTION TO SUCCESSION PLANNING FOR DIRECTORS AND SENIOR EXECUTIVES**

- **a** Companies should disclose the tenure or date of first appointment of directors.
- **b** Boards should plan for succession to ensure that there is a balance between continuity and renewal of their non-executive/independent directors, so that there is sufficient knowledge about the company and business among these directors at all times, while also having new directors appointed from time to time to ensure fresh perspectives.
- **c** Boards should ensure that there is succession planning for executive directors and key senior executives so that retirements or resignations of such key officers do not create significant disruptions to the company’s operations.

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**Board-Related Performance Assessments**

There are three main types of board-related performance assessments that may be undertaken: assessment of the overall board, board committees and individual directors. Board-related assessments, if properly undertaken, can be an effective tool for improving board effectiveness.

The most common type of assessment which the insurance companies reported undertaking was assessment of the overall board, with 40 percent disclosing that they have such assessments (Figure 21). About a third disclosed they undertake performance assessment of individual directors and about a quarter disclosed that they undertake performance assessment of individual committees.

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**Note:** Based on 31 companies. 15 companies did not disclose tenure of the executive directors while 4 companies do not have executive directors (including the two Indonesian companies with no executive directors in the board of commissioners).
Twenty companies disclosed who undertook the board-related assessment. Of these, nine disclosed that the board undertook the assessment, nine disclosed that it was done by the nominating committee (or equivalent committee), one disclosed that it was done by the Chairman of the nominating/remuneration committee, and one disclosed that it was done by an external party. Another two companies disclosed that an external party assisted with the assessment that was undertaken by the board or nominating committee.

Fifteen companies disclosed the methodology/tool used for board-related assessments, and most of them used questionnaire surveys, except two companies that also disclosed that they used interviews. Ten companies disclosed criteria used, of which only one mentioned that the criteria include financial (and non-financial) objectives of the company.

**RECOMMENDATION 13**
**REVIEW THE PROCESS OF BOARD & DIRECTOR PERFORMANCE ASSESSMENT**

a. Companies should undertake performance assessment for the board, key committees and individual directors.

b. Companies should disclose the process and criteria used for board-related assessments.

c. Boards should seek the views of senior management and key external stakeholders, such as institutional investors, about their performance and they should consider the need to engage external consultants to assist with their board-related assessments.

d. Boards should ensure that the results of board-related assessments are considered in their board succession planning and search and nomination process for directors.

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**CEO Performance Assessment**

Fourteen companies disclosed that they conducted performance assessment of the CEO. Of these, six are from Australia, three are from China, two are from Malaysia, two are from Thailand and one is from New Zealand.

However, most did not disclose details about the basis for assessing CEO performance. Four companies disclosed that they used financial and non-financial criteria for assessing CEO performance, with one company disclosing the relative weighting of the financial and non-financial criteria. Of the 14 companies which disclosed that they assessed the performance of the CEO, two disclosed that this was done by the Chairman, three by the board, and other nine by the NC and/or RC (or equivalent committee).

**RECOMMENDATION 14**
**BE TRANSPARENT ABOUT CEO PERFORMANCE ASSESSMENT**

Companies should disclose whether they undertake formal performance assessment of the CEO and the process and criteria used in this assessment.
A comparison of remuneration of directors and senior management for the insurance companies in our study is fraught with challenges. Apart from the fact that some large unlisted insurance companies are excluded, our sample also includes a mix of life, general and reinsurance companies, some diversified and others more focused. Further, disclosures are often patchy with no consistency in format across companies. Even a basic remuneration component like salary is defined differently across companies. These factors mean that caution must be exercised in interpreting the results of the analysis of remuneration data.

### Remuneration of Highest-Paid Executive

As mentioned in the section on board leadership, 43% or 18 of the 42 companies that disclosed whether their chairman is independent, non-executive or executive, have an executive director as the chairman. These include companies that have a separate executive director as Chairman and another individual as the CEO, and companies that have an Executive Chairman without a separate CEO.

The issue that arises is whether the Executive Chairman should be treated as the “real” CEO even if there is a separate CEO. In our experience, it is often the case that the Executive Chairman is the real CEO – however, not always.

Therefore, rather than arbitrarily deciding whether the Executive Chairman should be treated as the real CEO, we decided to look at the remuneration of the highest-paid executive instead.

### Tables 3 and 4 below show the distribution of different remuneration components for the highest-paid executive, in dollar amounts and percentage of total remuneration. Note that the statistics for each individual remuneration component are based on those insurance companies that disclosed information about that remuneration component. Companies do not have a consistent approach in how they define different remuneration components. For example, in the tables below, a significant number of companies included within salary component items such as allowances, benefits in kind, performance-related bonuses, other emoluments, director’s fees, leave accruals, other short-term incentives, and death and permanent disability insurance. Short-term incentives generally consist of annual bonus, cash bonus paid immediately and other short-term incentives (e.g. non-deferred shares), but again, some companies included items that are not generally considered short-term incentives, such as social insurance and vehicle allowance. Long-term incentives consist of share options, share awards, restricted share awards, deferred cash bonus and other long-term incentives (e.g. contributions to pension scheme), but some companies classify payments by the company to deferred contribution plans as long-term incentives.
Only 23 insurance companies disclosed the total dollar amount of remuneration as well as the salary. For these companies, the mean (median) total highest-paid executive remuneration is USD 2.03 million (USD 0.99 million). The highest total remuneration is USD 13.5 million. The mean (median) salary is USD 0.6 million (USD 0.4 million), with a maximum salary of USD 2 million.

Only one company disclosed the key performance indicators (KPIs) for the highest-paid executive. Only one company disclosed how risk is considered in designing the remuneration scheme, and there was a general lack of disclosure on the methodology used in designing the remuneration scheme and whether external consultants were used and their identity.

The remuneration of the highest-paid executive does not follow a normal distribution. Neither is it correlated with company characteristics such as market capitalisation, total assets, domicile or insurance company sector. This makes conventional pay benchmarking approaches that rely on peer comparisons difficult to apply and poses challenges for the remuneration committee in setting executive remuneration.

Share-Based Incentives

Figure 22 shows various long-term incentives for senior executives used by the insurance companies. Many insurance companies do not provide disclosures of their remuneration schemes for senior executives and employees so it is not possible to determine if they use share-based incentives. Of those that disclosed their remuneration schemes, share options are the most common form of share-based incentives used, with 14 companies having them in place. Four companies disclosed that they used restricted share awards while one disclosed it used other share awards.

Notes
1. Based on 23 companies that disclosed their highest executive’s remuneration inclusive of salary.
2. The breakdown of remuneration components may not be totally accurate since 16 of the 23 companies that disclosed their highest-paid executive’s salary disclosed the amount as a combined figure with allowances, benefits in kind, performance-related bonuses, other emoluments, director’s fees, leave accruals, other short-term incentives, and death and permanent disability insurance.
3. One company that disclosed “perks and allowances” was excluded since that was the only item in the remuneration package that was disclosed.

Table 4 Distribution of Different Remuneration Components for Highest-Paid Executive in Percentage

<table>
<thead>
<tr>
<th>Remuneration Component</th>
<th>As a % of Total Remuneration</th>
<th>Mean</th>
<th>Median</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>49.2</td>
<td>41.9</td>
<td>12.6</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Short-term incentives</td>
<td>28.9</td>
<td>32.2</td>
<td>0.0</td>
<td>66.0</td>
<td></td>
</tr>
<tr>
<td>Long-term incentives</td>
<td>16.2</td>
<td>1.6</td>
<td>0.0</td>
<td>85.4</td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>5.8</td>
<td>1.3</td>
<td>0.0</td>
<td>46.0</td>
<td></td>
</tr>
</tbody>
</table>

Share Options
- Used by insurance companies
- Not disclosed

Restricted Share Awards
- Used by insurance companies
- Not used by insurance companies

Share Awards
- Used by insurance companies
- Not disclosed

7. For 1 company, it used pure restricted awards while the other 3 companies used performance share awards.
Remuneration of Non-Executive/Independent Chairman

Twenty-four of the 42 insurance companies that disclosed the executive or non-executive role of the Chairman have a non-executive or independent Chairman. Of these, only 13 separately disclosed the remuneration of their Chairman. Figure 23 shows the remuneration range for these 13 chairmen. The median remuneration is USD348,213 and the mean is USD361,668. The highest remuneration is USD695,533.

Note: This is based on 13 insurance companies which have a non-executive or independent Chairman and which disclosed remuneration.

Figure 23 Remuneration of Non-Executive/Independent Chairman

Remuneration of Non-Executive Directors

We calculate the average remuneration of NEDs by dividing total directors’ remuneration/fees by number of NEDs, and assume that executive directors are not paid separate directors fees. The average remuneration would include the remuneration paid to the Chairman, if the Chairman is a non-executive/independent director.

Figure 24 shows the distribution of average NED remuneration for the 27 insurance companies for which information is available. Twenty companies (74%) paid average NED remuneration of USD100,000 or less. The median average NED remuneration USD48,152 while the mean is USD84,512. The minimum average NED remuneration is USD4,876 while the maximum average NED remuneration is USD285,356.

Note: This is based on 27 insurance companies for which information is available.

Figure 24 Average Remuneration of Non-Executive Directors
INSURING THE FUTURE

RECOMMENDATION 15
REVIEW AND IMPROVE REMUNERATION DISCLOSURES

a Given the currently poor disclosure of remuneration, remuneration committees should consider alternative approaches to supplement external pay benchmarking for setting remuneration of the CEO and key executives, such as internal pay benchmarking.

b Companies should follow accepted definitions of remuneration components such as base salary, benefits, short-term incentives and long-term incentives in their remuneration disclosures.

c Companies should provide clear disclosure of the remuneration level, remuneration components and key performance indicators for their CEO/highest-paid executive; methodology used in designing the remuneration schemes; and the identity of external consultants used, if any.

d Companies should provide clear disclosure of the remuneration level of the Chairman and individual directors, the structure of non-executive director remuneration, and the use of share-based remuneration, if any.

THE REMUNERATION OF THE HIGHEST-PAID EXECUTIVE DOES NOT FOLLOW A NORMAL DISTRIBUTION. NEITHER IS IT CORRELATED WITH COMPANY CHARACTERISTICS SUCH AS MARKET CAPITALISATION, TOTAL ASSETS, DOMICILE OR INSURANCE COMPANY SECTOR.

RISK MANAGEMENT

Enterprise Risk Management

Most insurance companies disclosed that they have some form of risk management framework or system in place. However, only 26 (52%) of the insurance companies disclosed that they have adopted enterprise risk management (ERM) (Figure 25). We consider those that specifically mentioned ERM or Committee of Sponsoring Organisations of the Treadway Commission (COSO) risk management framework to have adopted ERM. One Australian company also specifically mentioned the adoption of the Australian/New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management), in addition to the COSO framework.

Across countries, insurance companies in Japan, South Korea, Singapore, Thailand, India and Sri Lanka reported high ERM adoption, while around 50% of companies in Australia, Malaysia and Indonesia reported ERM adoption. ERM adoption was low in the other countries.

However, we should point out that most insurance companies that did not report ERM adoption disclosed that they have a risk management framework in place.

Figure 25 Adoption of ERM

---

Yes 52%
No 48%
Appointment of Chief Risk Officer

Insurance companies are increasingly expected by regulators to appoint a chief risk officer (CRO), with some regulators making it mandatory especially for larger insurers. The board or the nominating committee is often expected to oversee the appointment and resignation of the CRO. Just under a third of the insurance companies in our study disclosed that they have appointed a CRO, well below the three-quarters of banks we found to have done so in our study of large Asian banks.

Of those insurance companies which have appointed a CRO, about one-third disclosed that the CRO holds one or more other positions within the insurance company (Figure 26). Examples of other positions include Managing Director (and Board Director), Head of Business Auditing, Assistant General Manager for Compliance, Senior Vice-President for Human Capital Management and Development, and one person who held three other positions of Assistant to the President, Board Secretary and Audit Principal.

The CRO is usually the newest addition to the C-suite for companies which have appointed one, and there is often a lack of clarity in terms of the role of the CRO and the appropriate reporting relationship of the CRO. Insurance companies that appoint a CRO will need to decide whether the CRO should report primarily to the CEO or to a board committee, such as the risk committee.

The CRO role may also differ across companies, especially between smaller companies where the CRO may have management responsibilities in addition to his CRO responsibilities, and larger companies where the CRO has a more dedicated and focused advisory/consulting role. Where the CRO has multiple roles, this may lead to role conflicts, reducing his independence and effectiveness. Some of the other above-mentioned roles held by CROs may lead to role conflicts.

**Recommendation 16**

**Be more transparent about the company’s approach to risk management**

- Companies should disclose the risk management framework that underpins their approach to risk management.
- Companies should disclose whether they have appointed a chief risk officer (CRO) and the role, key responsibilities and reporting relationships of the CRO.
EXTERNAL AUDITORS

External auditors play an important role in protecting the interest of stakeholders by providing independent assurance over the quality of financial reports. However, the value of the external audit has been questioned, given the number of cases of financial institutions and other companies that have received unqualified audit opinions and which subsequently collapsed during the global financial crisis or required significant government bailouts, or which were found to have materially misstated their financial numbers (e.g., Enron and WorldCom).

There have been concerns about the dominance of the “Big 4” accounting firms and threats to auditor independence due to the provision of significant non-audit services and long tenure of external auditors. In this section of the report, we examine a number of issues related to external audit.

### Identity of External Auditor

Figure 27 shows who are the external auditors for the 50 insurance companies. One of the Taiwanese insurance companies did not disclose the name of its auditor.

The “Big 4” accounting firms audit almost 90 percent of the insurance companies. However, the audit market for insurance companies is dominated by Ernst & Young (EY), which audits half the insurance companies. This is vastly different from the audit of Asian banks, where EY ranks fourth amongst the Big 4 firms, with Deloitte and KPMG both auditing the most number of banks - 23% each.

Five of the six China insurance companies used both a domestic auditor and an international auditor. In all cases, the local auditors were the local counterparts of the Big 4 international firms. All the Indian, Indonesian and Bangladeshi companies used non-Big 4 firms as auditors.

Note: This is based on 49 companies that disclosed their external auditor. “Others” refer to domestic and non-Big 4 audit firms.

<table>
<thead>
<tr>
<th>Audit Firm</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>PwC</td>
<td>49%</td>
</tr>
<tr>
<td>Ernst &amp; Young</td>
<td>19%</td>
</tr>
<tr>
<td>KPMG</td>
<td>16%</td>
</tr>
<tr>
<td>Deloitte</td>
<td>4%</td>
</tr>
<tr>
<td>Others</td>
<td>12%</td>
</tr>
</tbody>
</table>

Figure 27 **Identity of External Auditor**
Disclosure of Audit and Other Audit-Related Matters

Of the 50 insurance companies, only 31 disclosed external audit fees with two companies disclosing ‘auditors’ remuneration’ without any indication as to whether the remuneration includes remuneration for non-audit services. Sixteen of these insurance companies did not provide any further breakdown of audit fees, such as the amount paid for the audit of the parent company and for subsidiaries within the group. Given the importance of audit (and non-audit fees) as an indicator of auditor independence, the poor disclosure of audit fees by such a large number of insurance companies is disappointing. Figure 28 shows the distribution of external audit fees for the 29 insurance companies that disclosed audit fees separately. The median fee is USD1.03 million while the mean is USD3.06 million. The minimum audit fee is USD16,395 while the maximum is USD18.4 million.

Only 13 companies disclosed a further breakdown of the audit fees into categories such as:

- Audit services for the company (including financial statements and statutory returns)
- Audit services for subsidiaries (including financial statements and statutory returns)
- Internal control
- Risk-based capital audit
- Investment procedures review
- Other assurance services

Only four companies disclosed the tenure of external auditors — all of which are Chinese companies. Given the concerns about long tenure of auditors and auditor independence, we recommend that regulators should mandate that insurance companies require the disclosure of the tenure of auditors.

Note: This is based on 29 companies that disclosed external audit fees separately.
Non-Audit Fees and Services

Of the 50 companies, 28 disclosed separately the non-audit fees paid to the external auditors while another two companies only disclosed the total auditors’ remuneration without separate disclosure of non-audit fees. Figure 29 below shows the non-audit fees paid by the 28 companies that disclosed non-audit fees separately.

It is unclear whether the other 22 insurance companies did not use their external auditors for non-audit services, or had used their external auditors for such services but chose not to disclose. We recommend that regulators require insurance companies to disclose non-audit fees paid to their external auditors, or to disclose that they do not have such services. This is important for stakeholders to assess potential threats to the independence of the external auditors.

For the 28 companies that disclosed their non-audit fees separately, the mean (median) non-audit fees was USD1.07 million (USD143,226), with a maximum of USD10.9 million.

Nine of the 28 companies that disclosed non-audit fees separately provided a further breakdown of the types of non-audit services provided and the amounts. The nine companies which did this were QBE Insurance Group, Challenger, Steadfast Group, Austbrokers Holdings and iSelect from Australia, AIA Group and Min Xin Holdings from Hong Kong, LPI Capital from Malaysia and Great Eastern Holdings from Singapore.

Some examples of non-audit services provided include:
- Tax and consultancy services
- Advisory services
- Actuarial services
- Due diligence and investigating services
- Regulatory compliance
- Equity and finance raising
- Special engagement services

Overall, it is disappointing that transparency regarding audit and non-audit fees (including fees paid to network firms), nature of non-audit services provided by external auditors and network firms, and tenure of audit firms, is poor. Given the continuing concerns about audit quality and independence, it is important that transparency relating to external auditors be enhanced.

Recommendation 17
Improve Disclosures Relating to Audit Practices and Auditors

Companies should disclose the following information regarding their external auditors:

- a year of first appointment or total tenure since first appointment;
- b total audit fees paid to the auditor and its network firms for audit of the company and group;
- c total non-audit fees paid to the external auditor and its network firms;
- d the nature of non-audit services provided by the external auditor and its network firms;
- e the approval process for non-audit services provided by the external auditor and its network firms.

Overall, it is disappointing that transparency regarding audit and non-audit fees (including fees paid to network firms), nature of non-audit services provided by external auditors and network firms, and tenure of audit firms, is poor. Given the continuing concerns about audit quality and independence, it is important that transparency relating to external auditors be enhanced.

Figure 29 Non-Audit Fees

Note: This is based on 28 companies that disclosed external audit fees separately.
WHISTLEBLOWING POLICY

The final area of corporate governance of insurance companies we examined is the adoption of a whistleblowing policy. Of the 50 companies, only 21 disclosed that they have a whistleblowing policy in place. Eight of these 21 insurance companies disclosed that their whistleblowing policy allows for anonymous complaints while 4 disclosed that their policy covers whistleblowing by external parties (Figure 30). Allowing external parties to raise concerns may allow issues such as mis-selling of insurance products to be brought to the attention of management on a timely basis.

RECOMMENDATION 18
ENSURE AN EFFECTIVE WHISTLEBLOWING POLICY IS IN PLACE

Companies should put in place a whistleblowing policy that allows employees and external parties to raise concerns about unethical behaviour.

Given the continuing concerns about audit quality and independence, it is important that transparency relating to external auditors be enhanced.

Figure 30 Whistleblowing Policy

Anonymous Complaints 8%
Covers External Parties 4%

Note: Based on 21 companies that disclosed they have a whistleblowing policy.
COMPARISONS BETWEEN LIFE AND NON-LIFE INSURANCE COMPANIES

The 50 insurance companies included in our study are a diverse group. They include companies offering different products and services (life, general and reinsurance) and those that are diversified or more focused.

The tables below compare some key corporate governance practices for insurance companies with a life insurance business to those that do not. Note that each group may include companies offering specialised or diversified products and services.

In general, companies with a life insurance business appear to have less developed corporate governance practices. They tend to have larger boards, a lower percentage of independent directors, a lower percentage of independent directors with industry experience, and fewer board committees. The only exceptions are that companies with life insurance business have slightly more independent directors with related financial industry experience (as opposed to experience in the insurance industry) and are somewhat more likely to have an investment committee.

Note: In some cases, insurance companies have combined committees, such as a risk and investment committee. In such cases, the committee will be shown under both risk committee and investment committee.

Table 5 Board Structure

<table>
<thead>
<tr>
<th></th>
<th>LIFE No. of cos.</th>
<th>%</th>
<th>NON-LIFE No. of cos.</th>
<th>%</th>
<th>TOTAL No. of cos.</th>
<th>NOT DISCLOSED No. of cos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board size (average pax)</td>
<td>36</td>
<td>10.4</td>
<td>14</td>
<td>8.6</td>
<td>50</td>
<td>0</td>
</tr>
<tr>
<td>Independent directors</td>
<td>34</td>
<td>41.8</td>
<td>13</td>
<td>55.5</td>
<td>47</td>
<td>3</td>
</tr>
<tr>
<td>Independent directors with industry experience</td>
<td>25</td>
<td>13.9</td>
<td>12</td>
<td>43.6</td>
<td>37</td>
<td>13</td>
</tr>
<tr>
<td>Independent directors with other related financial industry experience</td>
<td>25</td>
<td>54.7</td>
<td>12</td>
<td>45.7</td>
<td>37</td>
<td>13</td>
</tr>
<tr>
<td>Independent/non-executive Chairman</td>
<td>30</td>
<td>50.0</td>
<td>14</td>
<td>71.4</td>
<td>44</td>
<td>6</td>
</tr>
</tbody>
</table>

Table 6 Board Committees

<table>
<thead>
<tr>
<th>COMPANIES WITH THE FOLLOWING:</th>
<th>LIFE No. of Cos.</th>
<th>%</th>
<th>NON-LIFE No. of Cos.</th>
<th>%</th>
<th>TOTAL No. of Cos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit committee</td>
<td>30</td>
<td>83.3</td>
<td>14</td>
<td>100.0</td>
<td>44</td>
</tr>
<tr>
<td>Nomination committee</td>
<td>23</td>
<td>63.9</td>
<td>11</td>
<td>78.6</td>
<td>34</td>
</tr>
<tr>
<td>Remuneration committee</td>
<td>31</td>
<td>86.1</td>
<td>13</td>
<td>92.9</td>
<td>44</td>
</tr>
<tr>
<td>Risk committee</td>
<td>22</td>
<td>61.1</td>
<td>11</td>
<td>78.6</td>
<td>33</td>
</tr>
<tr>
<td>Investment committee</td>
<td>12</td>
<td>33.3</td>
<td>4</td>
<td>28.6</td>
<td>16</td>
</tr>
</tbody>
</table>

Table 7 Other Corporate Governance Practices

<table>
<thead>
<tr>
<th>COMPANIES WITH THE FOLLOWING:</th>
<th>LIFE No. of Cos.</th>
<th>%</th>
<th>NON-LIFE No. of Cos.</th>
<th>%</th>
<th>TOTAL No. of Cos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption of enterprise risk management</td>
<td>20</td>
<td>55.6</td>
<td>6</td>
<td>42.9</td>
<td>26</td>
</tr>
<tr>
<td>Appointment of chief risk officer</td>
<td>9</td>
<td>25.0</td>
<td>7</td>
<td>50.0</td>
<td>16</td>
</tr>
<tr>
<td>Whistleblowing policy</td>
<td>14</td>
<td>38.9</td>
<td>7</td>
<td>50.0</td>
<td>21</td>
</tr>
</tbody>
</table>
**APPENDIX 1  LIST OF TOP 50 ASIA-PACIFIC INSURANCE COMPANIES BASED ON MARKET CAPITALISATION**

<table>
<thead>
<tr>
<th>Insurance Company</th>
<th>Latest Accounts Date</th>
<th>Market Capitalisation as at 31 Dec 2013 (USD millions)</th>
<th>Total Assets as at Latest Accounts Date (USD millions)</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 CHINA LIFE INSURANCE COMPANY LIMITED</td>
<td>31 Dec 2013</td>
<td>75,313.04</td>
<td>323,673.82</td>
<td>China</td>
</tr>
<tr>
<td>2 PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD</td>
<td>31 Dec 2013</td>
<td>61,024.70</td>
<td>555,222.05</td>
<td>China</td>
</tr>
<tr>
<td>3 AXA GROUP LIMITED</td>
<td>30 Nov 2013</td>
<td>60,423.48</td>
<td>146,585.00</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>4 CHINA PACIFIC INSURANCE GROUP CO., LTD</td>
<td>31 Dec 2013</td>
<td>30,131.46</td>
<td>119,548.86</td>
<td>China</td>
</tr>
<tr>
<td>5 TOKIO MARINE HOLDINGS, INC</td>
<td>31 Mar 2013</td>
<td>25,697.11</td>
<td>171,866.21</td>
<td>Japan</td>
</tr>
<tr>
<td>6 THE PEOPLE’S INSURANCE COMPANY (GROUP) OF CHINA LIMITED</td>
<td>31 Dec 2012</td>
<td>19,755.90</td>
<td>176,203.06</td>
<td>South Korea</td>
</tr>
<tr>
<td>7 PICC PROPERTY AND CASUALTY COMPANY LIMITED</td>
<td>31 Dec 2012</td>
<td>19,361.76</td>
<td>187,101.65</td>
<td>Taiwan</td>
</tr>
<tr>
<td>8 SAMSUNG LIFE INSURANCE COMPANY LIMITED</td>
<td>31 Mar 2012</td>
<td>19,755.90</td>
<td>176,203.06</td>
<td>South Korea</td>
</tr>
<tr>
<td>9 CATHAY FINANCIAL HOLDING CO LTD</td>
<td>31 Dec 2012</td>
<td>19,361.76</td>
<td>187,101.65</td>
<td>Taiwan</td>
</tr>
<tr>
<td>10 MS&amp;AD INSURANCE GROUP HOLDINGS, INC</td>
<td>31 Mar 2013</td>
<td>16,978.43</td>
<td>169,305.00</td>
<td>Japan</td>
</tr>
<tr>
<td>11 THE DAI-ICHI LIFE INSURANCE COMPANY LTD</td>
<td>31 Mar 2012</td>
<td>16,693.00</td>
<td>176,203.06</td>
<td>South Korea</td>
</tr>
<tr>
<td>12 FUBON FINANCIAL HOLDING CO LTD</td>
<td>31 Dec 2012</td>
<td>14,964.12</td>
<td>136,994.36</td>
<td>Taiwan</td>
</tr>
<tr>
<td>13 QBE INSURANCE GROUP LIMITED</td>
<td>31 Dec 2013</td>
<td>12,830.41</td>
<td>42,271.00</td>
<td>Australia</td>
</tr>
<tr>
<td>14 INSURANCE AUSTRALIA GROUP LIMITED</td>
<td>30 Jun 2013</td>
<td>11,941.43</td>
<td>22,195.45</td>
<td>Australia</td>
</tr>
<tr>
<td>15 SAMSUNG FIRE &amp; MARINE INSURANCE CO LTD</td>
<td>31 Mar 2012</td>
<td>11,654.16</td>
<td>43,788.82</td>
<td>South Korea</td>
</tr>
<tr>
<td>16 AMP LIMITED</td>
<td>31 Dec 2013</td>
<td>11,595.24</td>
<td>118,949.57</td>
<td>Australia</td>
</tr>
<tr>
<td>17 NIKO HOLDINGS, INC</td>
<td>31 Mar 2013</td>
<td>11,538.00</td>
<td>87,491.46</td>
<td>Japan</td>
</tr>
<tr>
<td>18 NEW CHINA LIFE INSURANCE COMPANY LTD</td>
<td>31 Dec 2013</td>
<td>11,352.16</td>
<td>93,494.84</td>
<td>China</td>
</tr>
<tr>
<td>19 TRB HOLDINGS, INC</td>
<td>31 Mar 2013</td>
<td>9,550.68</td>
<td>148,344.84</td>
<td>Japan</td>
</tr>
<tr>
<td>20 SONY FINANCIAL HOLDINGS, INC</td>
<td>31 Mar 2013</td>
<td>7,909.84</td>
<td>77,167.93</td>
<td>Japan</td>
</tr>
<tr>
<td>21 GREAT EASTERN HOLDINGS LIMITED</td>
<td>31 Dec 2012</td>
<td>6,681.36</td>
<td>47,198.63</td>
<td>Singapore</td>
</tr>
<tr>
<td>22 CHINA TAIPING INSURANCE HOLDINGS COMPANY LIMITED</td>
<td>31 Dec 2013</td>
<td>3,484.88</td>
<td>40,624.18</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>23 SHIN KONG FINANCIAL HOLDING CO LTD</td>
<td>31 Dec 2012</td>
<td>3,221.17</td>
<td>254,274.04</td>
<td>Taiwan</td>
</tr>
<tr>
<td>24 CHALLENGER LIMITED</td>
<td>30 Jun 2013</td>
<td>2,938.19</td>
<td>15,879.23</td>
<td>Australia</td>
</tr>
<tr>
<td>25 CHINA LIFE INSURANCE CO LTD</td>
<td>31 Mar 2012</td>
<td>7,757.11</td>
<td>325,987.69</td>
<td>Taiwan</td>
</tr>
<tr>
<td>26 BANGKOK LIFE ASSURANCE PCL</td>
<td>31 Dec 2013</td>
<td>2,518.85</td>
<td>5,235.90</td>
<td>Thailand</td>
</tr>
<tr>
<td>27 LIG INSURANCE CO LIMITED</td>
<td>31 Mar 2012</td>
<td>1,877.76</td>
<td>17,038.04</td>
<td>South Korea</td>
</tr>
<tr>
<td>28 RELIANCE CAPITAL LIMITED</td>
<td>31 Mar 2012</td>
<td>1,435.36</td>
<td>5,425.00</td>
<td>India</td>
</tr>
<tr>
<td>29 KOREAN REINSURANCE COMPANY</td>
<td>31 Mar 2012</td>
<td>1,309.04</td>
<td>6,546.42</td>
<td>South Korea</td>
</tr>
<tr>
<td>30 BAOVICT HOLDINGS</td>
<td>31 Dec 2012</td>
<td>1,220.20</td>
<td>2,183.42</td>
<td>Vietnam</td>
</tr>
<tr>
<td>31 LPI CAPITAL BHD</td>
<td>31 Dec 2013</td>
<td>1,170.65</td>
<td>975.87</td>
<td>Malaysia</td>
</tr>
<tr>
<td>32 MAX INDIA LIMITED</td>
<td>31 Mar 2013</td>
<td>929.80</td>
<td>4,005.74</td>
<td>India</td>
</tr>
<tr>
<td>33 BANGKOK INSURANCE PUBLIC COMPANY LIMITED</td>
<td>31 Dec 2013</td>
<td>862.51</td>
<td>1,541.48</td>
<td>Thailand</td>
</tr>
<tr>
<td>34 STEADFAST GROUP LIMITED</td>
<td>30 Jun 2013</td>
<td>740.14</td>
<td>87.26</td>
<td>Australia</td>
</tr>
<tr>
<td>35 AUSTBROKERS HOLDINGS LIMITED</td>
<td>30 Jun 2013</td>
<td>638.88</td>
<td>503.63</td>
<td>Australia</td>
</tr>
<tr>
<td>36 ALLIANZ MALAYSIA BERHAD</td>
<td>31 Dec 2012</td>
<td>592.72</td>
<td>2,800.70</td>
<td>Malaysia</td>
</tr>
<tr>
<td>37 SYARIKAT TAKAFUL MALAYSIA BERHAD</td>
<td>31 Dec 2013</td>
<td>511.05</td>
<td>2,110.18</td>
<td>Malaysia</td>
</tr>
<tr>
<td>38 PT PANIN FINANCIAL TBK</td>
<td>31 Dec 2012</td>
<td>452.49</td>
<td>963.51</td>
<td>Indonesia</td>
</tr>
<tr>
<td>39 TUNE INS HOLDINGS BERHAD</td>
<td>31 Dec 2012</td>
<td>446.73</td>
<td>247.68</td>
<td>Malaysia</td>
</tr>
<tr>
<td>40 ASIA FINANCIAL HOLDINGS LIMITED</td>
<td>31 Dec 2013</td>
<td>408.03</td>
<td>1,022.72</td>
<td>Thailand</td>
</tr>
<tr>
<td>41 THAI REINSURANCE PUBLIC COMPANY LIMITED</td>
<td>31 Dec 2012</td>
<td>339.96</td>
<td>356.87</td>
<td>Bangladesh</td>
</tr>
<tr>
<td>42 DELTA LIFE INSURANCE COMPANY LTD</td>
<td>31 Dec 2012</td>
<td>336.54</td>
<td>244.87</td>
<td>Australia</td>
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<td>43 ISELECT LIMITED</td>
<td>30 Jun 2013</td>
<td>298.70</td>
<td>1,394.33</td>
<td>New Zealand</td>
</tr>
<tr>
<td>44 TOWER LIMITED</td>
<td>30 Sep 2013</td>
<td>271.55</td>
<td>1,076.90</td>
<td>Taiwan</td>
</tr>
<tr>
<td>45 CENTRAL REINSURANCE CORPORATION</td>
<td>31 Dec 2012</td>
<td>248.86</td>
<td>555.60</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>46 MIN XIN HOLDINGS LIMITED</td>
<td>31 Dec 2013</td>
<td>229.20</td>
<td>18,518.74</td>
<td>Malaysia</td>
</tr>
<tr>
<td>47 MNRB HOLDINGS BERHAD</td>
<td>31 Dec 2013</td>
<td>224.45</td>
<td>668.38</td>
<td>Sri Lanka</td>
</tr>
<tr>
<td>48 PT PANIN INSURANCE TBK</td>
<td>31 Dec 2012</td>
<td>223.98</td>
<td>1,070.52</td>
<td>South Korea</td>
</tr>
<tr>
<td>50 MANULIFE HOLDINGS BERHAD</td>
<td>31 Dec 2012</td>
<td>218.93</td>
<td>1,235.69</td>
<td>Malaysia</td>
</tr>
</tbody>
</table>

Notes:
1. Excludes companies where English versions of annual reports are unavailable.
2. Total assets converted to US Dollars using exchange rates prevailing on 31 December 2013. The only exception is the company from Bangladesh where the currency is not traded overseas (converted using Google currency converter on 20 August 2014).
We are an international, Asia-focused centre dedicated to research, executive education, coaching and advisory services in the areas of corporate governance and leadership development.

As the only organisation in the region that focuses on leadership and corporate governance together, we deliver holistic and sustainable solutions to our clients.

Our international faculty members bring a wealth of knowledge and experience from elite academic institutions and Fortune 500 organisations. They are passionate about Asia, based in Asia, and researching in the Asian context.

As a non-profit organisation under the auspices of Bank Negara Malaysia (Central Bank of Malaysia), we invest all our profits back into research – so our content is current, and more importantly, relevant to this region.

Prof Mak Yuen Teen holds first class honours and master degrees in accounting and finance and a doctorate degree in accounting, and is a fellow of CPA Australia. He served on committees that developed and revised the Code of Corporate Governance for listed companies in Singapore. He also served on the Charity Council and chaired the subcommittees that developed and refined the Code of Governance for charities in Singapore. He is a member of the audit advisory committee of UN Women, based in New York.

Prof Mak developed the Governance and Transparency Index, a ranking of governance of listed companies in Singapore. He was the Singapore expert in the development of the ASEAN Corporate Governance Scorecard and Ranking. He chaired the Singapore Corporate Governance Awards from 2003-2009 and has chaired the Investor Relations Award under the Singapore Corporate Awards since its inception.

Prof Mak is a regular commentator and speaker on governance issues in the corporate, public and charity sectors. He has been commissioned by the government, regulators, professional associations and private sector firms to lead research and provide recommendations on various corporate governance issues. He has also published extensively in academic and professional journals.

In recognition of his contributions to improving corporate governance in Singapore, Prof Mak received the Singapore Corporate Governance Excellence Award from the Securities Investors Association (Singapore) in October 2014, becoming only the second individual to be given this award in the 15-years history of the Association.

For more information about Prof Mak’s work, please visit his website at www.governanceforstakeholders.com

Chris Bennett is the founder of BPA, a South East Asian enterprise concerned with improving corporate governance through delivering professional education, research, and advocacy in the area where human behaviour meets governance, risk management and strategy in the boardroom and “C” suite. Chris researches, writes about, speaks, designs and delivers programmes for a number of international organisations.

Chris is a Senior Fellow at The Conference Board New York, a consultant to Securities Investors Association, Singapore (SIAS) on matters of corporate governance and Deputy Chair of the Governance Week programme committee. He is an adjunct faculty member at The Iclif Leadership and Governance Centre.

Currently, Chris is also Board Member and Chair of the Audit Committee at LifeTree Paediatric and Child Development Ltd and has served as a Board member of the Centre for Non-Profit Leadership in Singapore, where he was also Chair of the Audit Committee and Chair of the Nominating Committee. He served as Managing Director, Singapore and Malaysia for Watson Wyatt Worldwide, and headed the board and executive consulting team in ASEAN; and as the Country Manager and Board Practice Leader for Towers Perrin, Singapore and Malaysia.

He acted as the Regional Director, Asia Pacific in a subsidiary of a major British plc for six years. He has held both line executive and fiduciary/directorship responsibilities in many areas/countries around the world including the UK, Asia, Australia and New Zealand. He has over 35 years of practical experience with global firms and has lived and worked in Europe, the Middle East, Australia and Asia.

He holds an MBA with Distinction from Aston University in the UK, is a Chartered Fellow of the Chartered Institute of Personnel and Development (UK), a Member of the Singapore Institute of Directors and a Member of the Australian Institute of Company Directors.