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Corporate governance of insurance companies in Cameroon: What place the law occupy?

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Abstract

This write-up questioned the significance of corporate governance in guaranteeing proper management of insurance companies for the benefits of the stakeholders including the insurance companies in Cameroon. It is established that, there is a high competitive atmosphere in the insurance sector. This competitiveness call for a high level corporate governance practices. This is because good corporate governance is vital not only for the benefit of the persons who invest money in company, but also for the interest of the concerned insurance company and the insurance system. This paper established, effective corporate governance can increase the faith investors have in the insurance company and therefore the company can have access to capital and other forms of funding. The core of corporate governance in insurance industry is the promotion of good management practices and the protection of the entire insurance system from financial vicissitudes. In order to achieve this, the lawmaker must do everything conceivable to safeguard the solidity of the insurance system in broad-spectrum and insurance companies in particular, because ruins in one will obviously affect the entire insurance system.

Keywords: Corporate governance, insurance companies, management, insurance

Introduction

Companies around the world (including insurance companies) ought to be able to entice finance from stakeholders (public and individuals) in order to increase and expand ^[1]. Before investing a company, potential investors wish to devote their monies in a business, they will want to be as sure as they can be, that, the business is financially sound and will continue to be so in the nearest future. Financiers of projects therefore need to have trust and hope that the business is well managed and will continue to be profitable ^[2]. Corporate failures and financial crisis continue to provide sufficient call for concern and have all powered interest in the ethical aspects ^[3]. In this light, the corporate collapse due to mismanagement in the sub-Sahara in the 1980s led to a slowdown in investments, which then had a regressive effect, as their economies were limping ^[4].

For over two decades, there have been increases in corporate ruins ^[5] that have arisen though, the documentary presentation of the companies seems satisfactory. These corporate ruins or failures posed adverse effect to numerous people: stakeholders whose financial investment is reduced to nothing; workers who lost their contracts and jobs and, in some circumstances, the security of their pension, also disappeared instantaneous; suppliers of goods and services to the failed companies; and the economic impact on the local and international communities in which the failed companies operated. In the real sense, corporate ruins affect us all ^[6]. Thus, there is a need to prevent and protect poor performance by those who are involved in the management of companies by reinforcement of corporate governance rules. Within the insurance sector, why is there a need for special governance of insurance company? ^[7]

¹ Mallin C. A. (2013), *Corporate Governance*, 4th edition, Oxford, Oxford University Press, p. 1.

² Ibid.

³ Brink A. (2011), *Corporate Governance and Business Ethics*, New York & London, Springer.

⁴ Simo Tumnde M. (2002), "The Applicability of the OHADA Law in Anglophone Cameroon: Problems and Prospects." in *Annals of Faculty of Law and Political Science, University of Dschang*, Tome 6, n° special, p.23-32.

⁵ For more than two decades, more attention is given to corporate governance because of constant failures in the corporate world like Enron, World Com, Xerox, Global Crossing, Harshad Mehta ,Satyam, etc.

⁶ Mallin C. A. (2013), op. cit., p. 2.

⁷ Effective conduct of insurance business involves a continuous maintenance of public trust in the concerned insurance company which is achieved by maintaining adequate margin solvency, and prudent underwriting. Analysing the said insurance functions it can be concluded that successful management of this industry is crucial for all stakeholders and the entire community in which insurance companies operate.

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Insurance^[8] is a business of special social attention, having in mind the different functions it plays in the society^[9]. The prime purpose of the up-to-date insurance business is to abate the risk by an amalgamation of the insured into the customary risk communities, i.e to ensure non-stop legal protection against undesirable or harmful consequences of risk actualisation through coverage or indemnity^[10]. The abovementioned represents the prime role of insurance. However, in addition to this primary or prime function of insurance, it carries out other plentiful functions both for individual insured's and the society at large^[11]. Some questions triggered this write up. Why the occurrence of corporate collapse in general and in insurance companies in particular? What can be done by the Cameroonian legislator to avert such ruins from happening? How can trust and confidence on insurance companies be reinstated through governance? The response to these questions is all linked to proper and effective implementation of corporate governance principles. Thus, lack of effective corporate governance meant that such ruins could occur; decent corporate control and management can help prevent such failures from happening and restore the needed trust.

Special corporate governance is necessary for insurance companies because, insurance business is measured to be one of the essential actors in the financial industry. It positions out as first among equivalents in the sector because of the superiority it has over and above other associates of the financial sector^[12]. Like bank and commercial institutions, insurance companies provides means for investment and financing of investments projects but unlike them^[13], insurance is the only means of risk distribution and compensation financially. Thus, insurance as a vibrant instrument of economic survival of any society is professed as a product of virtue, of caution and of solidarity inherent in each individual. To enhance effective corporate governance for insurance companies, the law provides for the insurance companies to establish

⁸ Insurance is an operation in which one party, the insured in return for remuneration called premium, receives promises of performance from the other party, the insurer in the event of the risk occurring. See Donfack, A., (2000), *Le Règlement des Sinistres en Assurance de Dommages au Cameroun : Le Cas de la CCAR et de la SAAR*, Mémoire Dissertation, Faculty of Law and Political Science, University of Dshang, p.1.

⁹ In every society soliciting for economic growth, the insurance sector plays an important role as it helps in transferring of risk and mobilisation of funds. It plays a role of a middle man for ensuring greater availability of finance.

¹⁰ Njegomir V., & Rajko T. (2014), "Corporate Governance in Insurance Companies", *in management*, pp. 81-93.

¹¹ These secondary functions include: the role of financial intermediation, by mobilizing capital from the insurers which serves to stimulate economic growth and development, credit improvement, exchange and trade, mobilization of funds, effective capital allocation and social function. See Morck, R. K. & Steier, L. (2005), "The Global History of Corporate Governance – An Introduction", Working Paper 11062, National Bureau of Economic Research, Cambridge, MA.

¹² Kwanga, C. F. (2017), "Claims settlement in insurance contracts from consumer protection perspective in Cameroon", *Juridical Tribune*, Vol. 7.p. 38.

¹³ In addition to the above stated functions of insurance, the importance of corporate governance in insurance business is supported by the fact that insurance companies increasingly become the members of financial mergers and by the threat from negative effects that may result in the actualisation of risk. Despite the fact that the ills of systemic risk is higher in case of banks while insurance companies is properly and legally regulated, the problems that beset the insurance sector have undoubtedly demonstrated that insurance companies are likely to cause problems in the entire financial system owing to inadequate corporate governance, notably in the risk management.

governance structures within the company and also to adhere to supplementary governance through the control of the activities of the insurance companies by the supervisory authorities.

The putting of administration structures to ensure effective corporate governance of insurance companies in Cameroon

In insurance companies like in any other company, there is the need for effective and proper management. To achieve this, the influence of the board and its role and some other management organs is required in the managements of the concerned company. In fact, it is provided by law that shareholders delegate their decision-making power to the board, which then act as the representatives of shareholders and what they owe the shareholders is a duty which is fiduciary in nature^[14]. Insurance companies have certain organs in charge of management with their functions depending on the type of company they operate. However, they are obliged to take the form of a public limited company or a mutual corporation^[15]. Thus, a public limited company must be managed through a board of directors and managers.

Careful selections of Board of Directors for an authorised insurance company

The composition of the board is a vital subject in the array of corporate governance strategies. Most of these strategies are directed at increasing board accountability to stakeholders and improving board effectiveness. Within the insurance domain in Cameroon, the CIMA Code expressly provides that, the administration of the insurance company must be assigned to a board of directors appointed by the general meeting and made up of at least five fellows not including directors elected by salaried personnel. These directors are to be chosen among the members up to date on their contributions, with the exception of those who are elected by salaried personnel^[16].

A question that begs for an answer is, what are the possible solutions where a director no longer adheres to the functions or duties conferred on them? In case a director no longer fulfils their obligations towards the insured, there must be replaced. In case of serious offence committed by the directors, they may be revoked by the general assembly of the shareholders. To this effect, the board of directors of an authorized insurance company should contain an appropriate number of directors that enables the board to carry out its functions successfully and professionally. In such circumstances, the board must review its size from time to time taking into consideration the deeds and business capacity of the company. The board of directors then, are persons who manage, guides or orders the affairs of company. Or are persons appointed or elected to sit on the board that manage the affairs of a company or other organization by exercising control over it officers. They are

¹⁴ Shareholders invest and create the company and entrust the directors to take care of the business and manage it for the best interest of the shareholders, thus a fiduciary duty arises. A fiduciary is one who has been entrusted the powers to act in the best interest of another rather than pursuing his or her personal interest. See Djieufack R. (2004), *The Nature of Agency Relationship under OHADA Uniform Act on General Commercial Law and Common Law; A comparative study*, DEA Dissertation, University of Dshang, 2004, p.48.

¹⁵ Article 301 of the CIMA Code.

¹⁶ Article 330(12) of the CIMA Code.

also call trustee^[17]. This leads to question on the mandate of the board.

Concerning the duration of service of the board members, the law provides that, the directors may be appointed for duration of not more than six years though they may be re-elected as provided by the article of associations. This is in line with the term of office of directors that are freely fixed by the articles of association, “*which most not exceed six years in case of appointment during the existence of the company and two years in case of nomination by the articles of association or by the constituent general meetings*”.¹⁸ They may be appointed or elected; in case of elections; the conditions for their elections shall be freely fixed in the articles of association. The uniform act unlike the CIMA Code provides that they shall be eligible for re-election unless otherwise provided by the articles of associations.¹⁹ The question that arises is how long they will be eligible for re-election; the uniform act is silent on this position. Thus, a person can be eligible for election as a board member in an insurance company throughout the life span of the company. However, an exception provided based on the age of the person concerned. It provides that, the article of association must anticipate for the exercise of director’s duties, an age limit applying, either to all of the directors or to a set of percentage among them.

From the above, the board of directors persons elected, who jointly oversee the activities of the concerned insurance company. They are elected to represent the shareholders; to run the day-to-day businesses of the company^[20]. The boards are directly answerable to the shareholders and each time the company holds an annual general meeting (AGM), the directors must provide a report to shareholders on the performance of the concerned insurance company, what its plans and strategies are^[21]. With this, the Board should have adequate information and relevant understanding of insurance business to effectively guide and oversee the activities of the concerned insurance company.

The cautious hiring of the Managers

The problems encountered in insurance activities are complex; this complexity has necessitated the impositions of pluralism in the management of insurance companies. While the Board of Directors has the final duty of setting the business objectives, strategies and policies for the insurance companies, the managers are responsible for carrying out the day-to-day operations of the insurance companies and applying systems and controls in accordance with the business culture, business plans, policies and procedures set out by the board.

What is necessary to be determine here is what are the criteria or conditions of selection of managers of insurance companies. In Cameroon, to avoid the unscrupulous individuals from coming into the profession of management of insurance companies, the CIMA Code expressly provides for provisions elaborating on the qualities of those who are to become managers. The managers to be have to agree with

conditions listed article 329 of the CIMA Code. The strict conditions of approval of managers of insurance companies are not just mere formalities to be fulfilled, but, it aimed at ensuring that insurance companies are governed and management by people who are trust worthy and posse the required competence. To this effect, to be eligible or qualify as a manager of an insurance company in Cameroon, the applicant must be professionally apt. This professional aptitude can be viewed from two lengths; firstly by having the requisite educational competence and secondly by possessing the required expertise or experience.

Educational competence: a necessary prerequisite for the would be managers on insurance companies

This in generic terms implies that, persons aspiring to be managers of insurance companies must be professionally apt. From the wordings of the CIMA Code,²² persons who are applying to be managers of insurance companies must be in possession at the time they forward their application at least a higher education certificate on insurance or actuarial profession^[23]. These actuarial professions may be from related fields like Economics, Banking and Finance, Law and Management, and a solidly justified reference.

Apart from the certificate obtained, there is another added educational requirement which the expertise or experience the would be manager must have obtained. To this effect, the aspiring manager must possess a minimum of five year experience in high level position in management of insurance companies or insurance organisation, an insurance broking firm or an insurance supervisory body^[24]. However, in the absence of such a first degree, or its equivalent diploma the specified field of studies, a ten year professional experience is required where applicant are holders of higher certificate in order fields. This gives the applicant necessary qualification to manage an insurance company^[25]. The necessity of educational and professional competence of managers to be is due to the fact, insurance companies should not be managed by persons lacking the requisite training and character. The running of an insurance company is a profession which requires much that certain categories of persons are excluded from engaging in it because they are unfit. In this essence, educational qualification is of essence for the management of an insurance company.

Moral competence

The need for sound morality and honorability has for long been a requirement in the corporate world^[26]. Managers and directors over and above their academic and professional qualifications must offer guarantees of good morality and must in a like manner not be in conflict with certain ethical values, put in place in order to afford protection to corporate and societal interests at large. Thus, to ensure that insurance companies are properly managed, only persons of sound morality and competence in the insurance business can aspire to manage an insurance company. The CIMA legislator does not only seek to ensure moral competence, but, also steps in to ensure that those applying to be

¹⁷ Bryan A.G. (2009), *Black's law dictionary*, 9th ed., Dallas Texas, A Thomson Reuters Business, , p.527.

¹⁸ Article 420 UACCEIG.

¹⁹ Article 435 UACCEIG.

²⁰ Katu M. H. (2021), “A Reflection on Corporate Governance of Banks: It's Role in the Protection of Customers under Cameroonian Banking Law”, *Journal of Banking & Insurance Law*; 4(1): pp. 1–17.

²¹ Ibid.

²² Specifically article 329.

²³ Article 329 of the CIMA Code.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Le Tourneau P. (2000), *L'éthique des affaires et du management du 21eme Siècle*, Dalloz, p.115.

managers of insurance companies are of good and sound moral aptitude or ability. Thus, the CIMA legislator puts away automatically from the Insurance business individuals of doubtful morality. In this light, the CIMA legislator provides for a list of circumstances where, an applicant may lack the moral competence to manage an insurance company. It provides that, a person cannot be a manager of an insurance company, run, direct or manage an insurance company personally or through a third party or have the right to sign on behalf of such an institution if he has been convicted ^[27];

For theft, breach of trust, fraud, issuing a bad cheque and violation of exchange or transfer regulations;

For committing a crime undermining the security or credit worthiness of the member state of CIMA, attempting or taking part in committing the said offences ^[28].

Also, if the said person has been convicted for any other offence with at least one year neither imprisonment nor matter the nature of the offence committed. In no circumstance can such a person be eligible or allowed to manage, administer and liquidate an insurance company.

Morality competence also extends to persons whose licence has been withdrawn because they have fallen short of their duties and have not been rehabilitated ^[29].

It is clear that, anyone who is connected or related to the company whether as a member, employee, customer, director, or supplier, would always want it to be well managed for its own interest or benefits. But the actual group that is in a position of ensuring that the company is managed for their benefits is the directors.³⁰ These persons connected to the company are under the control of the management or governance structures. The role these governance structures put in place is to ensure effective corporate governance practices ^[31]. This requires the implementation of a sound legal, regulatory and institutional framework that the insured and other investors can depend on when they create their reserved and individual contractual dealings with the insurance companies. This corporate governance principle classically includes elements of legislation, regulation, self-regulatory arrangements, voluntary commitments and business practices that are the result of good and effective management. Thus, the corporate governance framework should promote transparency and accountability, and the efficient distribution of resources. It should be consistent with the rule of law and support effective supervision and enforcement of the law ^[32].

The importance of corporate governance cannot be over emphasised. It is to the effect that, in developing economies, ameliorating corporate governance can attend an integer of

important public policy goals. Good corporate governance reduces developing business vulnerability to financial crises, reinforces property rights, reduces transaction cost, and leads to business development. To further ensure that governance structures implement the governance principles put in place, there is a need for supplementary governance through control of the activities of insurance companies when they are a going concern. However, these controls are effectively conducted by the supervisory authorities both at the regional and national levels.

Supplementary governance through the control of insurance companies

The controls of insurance companies are part of an effective system of corporate governance for insurance and other commercial companies. These controls provide extra and supplementary governance through verifications (checks and balances) of the concerned insurance companies and support the Board in accomplishing its oversight duties. Therefore, the Board should maintain an adequate working environment for each control function to enable them to carry out their functions effectively. The CIMA legislator and States authorize the regulator to issue short-term administrative supervision orders against insurers operating in a manner that poses a hazard to policyholders, creditors or the public.³³ Under such orders, the regulator or his or her designee serves as administrative supervisor of the insurer.³⁴ In states where administrative supervision orders may be issued without formal court proceedings, the orders are subject to administrative review and are usually confidential. Administrative supervision orders are sometimes useful in temporarily stabilizing a deteriorating situation prior to the entry of an order of conservation, rehabilitation or liquidation ^[35]. During this supervision period, the insurer is prohibited from carrying out certain transactions.

The authorised and constant supervision of insurance companies is a subject of concern to both the insurer and the buyer of insurance. With this, any business which solicits large sums of money from the public in exchange for a promise of a future benefit must be subject to an adequate control and supervision. Insurance is a business usually conducted on a large scale; involving thousands of policyholders paying millions of francs in premiums. The enormous funds collected have unavoidably been a source of inducement to dishonest businessmen; and at different periods in the development of insurance, various fraudulent schemes, under the guise of insurance, have been devised and perpetrated ^[36]. These governmental controls of insurance have been variously described either as official supervision of insurance companies, governmental

²⁷ Article 29 Of the CIMA Code

²⁸ Article 29 of the CIMA Code.

²⁹ This may include persons who have been declared bankrupt and has not been rehabilitated; who has been convicted under the laws governing bankruptcy and has not been rehabilitated; persons who has discharged of administrative or managerial duties; and persons whom the Insurance and the entire Financial system of member state is housing doubtful claims, or in the appreciation of the Insurance Regulatory authority (commission), by enterprises placed under his control and direction.

³⁰ French, D., Mayson, S. & Ryan, C. (2007), *Company Law*, 24th ed., Oxford, Oxford University Press, , p. 400.

³¹ This is by establishing policies, strategies and implanting them for the interest of the stakeholders.

³² OECD (2015), *OECD Principles on corporate governance*, OECD Publishing Paris. Available at <http://dx.doi.org/10.1787/9789264236882-en>, lastly visited, 8th December 2015.

³³ Tumnde, M., S., (2002), "Government Control and Supervision of Insurance Companies in Cameroon: an Appraisal of the of CIMA Code" *Annales de la FSJP, university of Dschang, Tome 6, Numera special, Droit OHADA-CIMA*, Presses Universitaires D'Afrique, pp.141-175., see also Tumnde, M., S., (2003), *Insurance Law in Cameroon*, Press Universitaire D'Afrique, Yaoundé.

³⁴ In our context the supervisor is the insurance supervisory commission also refers to in this paper as the commission.

³⁵ National Association of Insurance Commissioner (2018), *Receiver's Handbook for Insurance Company Insolvencies*, United States of America, p. 5.

³⁶ Tumnde, M., S., (2002), op. cit.

intervention or interference in the insurance concerns.³⁷ However, the controls to be discussed here are controls carried out by the various control organs provided for in the CIMA code. These include control undertaken by the regional supervisory commission and the national authorities.

The regional insurance supervisory commission: the watch dog over the insurance business

The Insurance regulator within the CIMA which Cameroon is a member is the Regional Insurance Supervisory Commission. This organ vests the power of surveillance or control over all the entire insurance business and insurance activities of insurance companies in Cameroon^[38].

The Commission undertaking the supervisory activities generally has broad authority to take curative action and to direct an insurance company to cease and desist from unsound and unsafe business practices. Control exercised by Commission over insurance companies is of a very wide scope. It includes the control of access to the insurance business, and control during the exercise of the insurance business. This work is concerned with control during exercise of the insurance business as it aims at ensuring that the insurance companies remains in line with applicable rules and regulations. This form of control is also known as control through prevention. This form of control may take two forms documentary control or on-the-spot control.

Generally, the commission conduct both controls on the documents forwarded to the commission and equally to ascertain the veracity of the information forwarded to the commission. They equally conduct on-the-spot checks or controls.³⁹ Within the scope of its monitoring and organisational mission of controls, the commission issues a notice qualifying the issue of an approval by the minister responsible for the insurance sector in accordance with the provisions of the treaty specifically article 20. *“The commission shall also have at its disposal all documents and statistics relating to the national insurance markets on the territory of the member states.”*⁴⁰ The treaty further stipulate that, *“the commission is oblige to communicate to the council the observations and proposal of the commission regarding the way in which the insurance sector is operating and any amendments to the treaty or to single legislation which seems appropriate to the commission.”*⁴¹ The commission shall also communicate to the authorities of the members states, the observations of the council regarding the consequences of its resolutions on the territory of the said member states together with its recommendations in respect of the way in which the national insurance markets are operating^[42]. However, the purpose of these documentary and on-the-spot controls is the establish whether the insurance companies is operating following the normal principle established and see into it that they maintain adequate financial margin or are facing financial difficulties thus, insolvency.

³⁷Lijadu, L., (1972), “governmental control of the operation of insurance companies”, Conference papers of the insurance Institute of Nigeria, Vol. 1, p. 77.

³⁸ This is in line with article 309 of the CIMA Code.

³⁹ Ibid, article 310.

⁴⁰ Article 20 of the CIMA Treaty.

⁴¹ Ibid.

⁴² Ibid.

Enhancing corporate governance through Documentary controls

Generally, it is control based on the documents of the insurance company involved. Documentary control consists in controlling the activities and the management of insurance companies through documents, information and data which the insurance supervisory commission requests from the insurance company concerned. It is founded upon the right of the Commission to the communication and transmission of documents requested. There is no restriction as to the periodicity of transmission of the documents, or sources of information. This allows the Commission to proceed with this activity at any time, and the insurance company concerned must show no form of resistance against commission in the course of this duty. Documentary control has to be performed on the activities and the management of the insurance company through the information on the documents and inquiries made and demanded by the commission. In order to effectively ensure that the controls are being carried out, the commission is accorded a permanent control organ at the general secretariat of the conference^[43].

As to the list of documents to be transmitted to the commission for verification, the CIMA code has not provided for such. The commission requests the insurance company to supply them all necessary information and the justification useful for the exercise of their missions. This information is usually auditor’s reports from companies, and in general, of all accounting documents of which it may, as need be, request the certification^[44]. The insurance companies must place all the documents stipulated in the preceding sub section at its disposal, as well as well as the qualified personnel to provide it with that information which it deems necessary^[45]. The use of the word “must” indicates that the transmission and placement of documents for verification is obligatory. Thus the slightest manipulation amounts to a default of the law.

The control centres on the communication and transmission of documents to the commission by the insurance companies. It is evident that the obligation to transmit and to communicate information and documents to the commission is a sine-qua-non condition for the exercise of the control on the documents by the commission. In order to strengthen the documentary controls, findings of the national insurance boards of directors within the scope of their task which are useful for the supervision are communicated to the commission^[46].

Enhancing corporate governance through on the-spot verification

On the-spot controls or on-site verification involves the verifications done in the premise of the insurance company by the commission to ensure the authenticity of the information periodically sent to authorities for controls and the respect of the ethics of the profession. This implies that, it is a form of control conducted within the premises of the controlled entity or subjected insurance company, at its registered headquarters, or branches. It can equally be carried out in parent companies, as well as in subsidiaries of the institution. Thus, the commission organises on the spot

⁴³ Ibid, article 310.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Ibid.

verification by visiting insurance companies after every two years ^[47]. As already noted, the control indeed also extends to the branches of the insurance companies. As per the CIMA code, insofar as it is necessary for the exercise of its supervisory assignment and under the conditions set by this code, on-the-site supervision may be extended to parent companies and subsidiaries of the companies supervised and to any intermediary or expert intervening in the insurance sector ^[48].

Such control aims at assuring the certainty and the accuracy of information that had earlier been transmitted by the insurance company concerned to Commission, probably within the scope of any form of communication between the two bodies. A question that begs an answer is, what are the limits of such controls? It may be opined that such controls should be limited to the above stated objective, any control beyond such objectives should be consider abusive. This allows the insurance supervisory commission to control the conditions under which the insurance companies operate, to guarantee their financial stability, to certify the respect of corporate governance norms in Cameroon. On-the-site check is absolutely essential for a proper understanding of the management reality of an insurance company ^[49]. This should be further ensured by imposing sanctions for anyone who impedes the realization of this control.

In the case of on-site supervision, a report after full argument on both sides is to be prepared where the observations are formulated by the inspector, the company is to be notified thereof. The commission is then charged with the duty to study the observations formulated by the inspector and the replies made by the company ^[50]. The result of the on-site supervision is to be communicated to the Minister in charge of the insurance sector and to the board of directors of the company being supervised and sent to the auditors ^[51].

A superficial look of the on-the-spot controls could established the objectives of such controls to be the assurance of the accuracy or exactitude of the information transmitted, the checking of the application and implementation of the insurance rules and regulations, the control of the functioning conditions of insurance companies to watch over their worth and value of their financial situation and to ensure respects of the ethics of the profession. These objectives are precise and need to be accomplished. These verifications are generally intended to ensure the clarity and viability of any information obtained from the documents forwarded to commission by the insurance companies concerned.

Appreciating the importance of on-the-spot checks, it is because it is done instantly on the company concerned. The instant and prompt exercise of the control prevents managers from correcting and attesting the truthfulness of documents to be more explicit to the controller and/or dealt away or temper with documents which are likely to identify their weakness or implicate them. Based on the above analysis, it opined that, instant controls should be increased

⁴⁷Mbifi, R., (2002), "the premise, the promise and the problem of the CIMA code in Cameroon", *Annales de la faculté de sciences juridiques et politique*, University of Dschang, pp.121-140.

⁴⁸Ibid.

⁴⁹ Butsch J. L. (1996), « Le rôle des autorités de tutelle », Colloque de Deauville organisé les 8 et 9 Juin 1996, par l'Association Droit et Commerce, *Revue de jurisprudence Commerciale*, numéro spéciale, p.26.

⁵⁰Article 313 of the CIMA code.

⁵¹ Ibid.

because it may identify numerous irregularities in an insurance company. This is because the management may not have the enough time to arrange the accounting records of the concerned company so as to assure the truthfulness or genuineness or veracity of the information. Although, it is true that information furnished by the managers cannot reflect the absolute truth, that is, respond to scientific exactitude, as far as it is only a constructed truth ^[52].

Augmenting governance through control by the national authorities in Cameroon

At the national level, the control of insurance companies to ensure their solvency or as a means of detecting difficulties is the joint responsibility of a government body and professional organisations. In Cameroon the government department in charge of insurance regulation is the Sub Department of Insurance ^[53] of the Ministry of Finance. Before the enactment of the CIMA Code, this was provided for by the 1980 ordinance ^[54]. This is still applicable till date. It is similar to what is applicable in France and other French speaking African countries ^[55]. Thus, in Cameroon, the Sub-Department of Insurance shall be placed under the authority of the Sub-Director and shall be responsible for the formation, supervision and enforcement of legislation on insurance. The Sub-Department of Insurance comprises of two services and a Corps of Insurance Inspectors. The two services are:

- The Studies and Approvals Services, and
- The Insurance Companies Control Service

At the level of the studies and approvals services, it is in charge of studies of authorisation procedures and responsible for examining applications made by concerns intending to do insurance business in Cameroon ^[56]. This service studies the documents which must be submitted by all prospective aspirants intending to carryout insurance business in Cameroon, and makes recommendations to the Minister of Finance who decides either to grant or refuse an authorisation on the strength of the recommendations ^[57]. This service is responsible for the examination of premium rates, policy forms and other documents issued by the concerns operating in Cameroon. Thus, to a substantial extent, it is this service which regulates the amount of premium rates and the fillings, length and print of insurance policies and proposal forms. Apart from the studies and approvals services, the insurance companies control service

⁵²Moho Fopa, E. A., (2009), « Les associés, parents pauvres de la prévention de difficultés de entreprises dans l'espace OHADA » *Annales de la FSJP*, université de Dschang, Tome 13, p. 261.

⁵³Generally referred to in French as *Sous-Direction des Assurances*.

⁵⁴ Article 57(1) of the 1985 Ordinance which provides that state control of the insurance industry shall be exercised under the authority of the Minister of Finance.

⁵⁵Tumnde, M. S., (1986), "Insurance Law in England and Cameroon: A Comparative Study with Specific Reference to Motor Vehicle Insurance, PhD Thesis, University of Sheffield, p.79.

⁵⁶ This examination of applications made by aspirants who intend to operate insurance companies in Cameroon is an important tie in the sequence of conditions for proper corporate governance of insurance companies in Cameroon. The motive for this scrupulous procedure is that, it ensures that only aspirants that are utmost fit to stand the test of time are admitted into the insurance business. It therefore provides a safety net for separating impersonators from serious aspirants for the insurance business, thereby providing minimal assurance for legal and regulatory compliance as well as the assurance needed by customers and investors to lend their confidence in the banking system.

⁵⁷ Tumnde, M. S., (1986), *op. cit.*, p. 79.

also plays a supervisory or control role. Insurance inspectors come under the auspices of the Insurance Companies Control Service ^[58]. They are the principal officers in charge of implementing insurance legislation in Cameroon.

From the foregoing, healthy insurance companies are of prime importance for a country's economy. The integral role that insurance companies play in the economy is demonstrated by the vigorous corporate governance arrangements of companies on the one hand, and the almost universal practice of the insurance regulator and the states in regulating the insurance industry in Cameroon, on the other hand. While the corporate government of the insurance companies ^[59]. Are endowed with the direction and control of the company, the insurance regulator ^[60] supervises and sanctions their actions. In practice, management is generally under a mandate from owners to pursue the objective of wealth maximization, and in so doing, may jeopardise the companies' franchise value and threaten the stability of the insurance system as well as the financial system through excessive risk taking. While such misconduct should normally be checked by the board of directors (BOD), auditors or internal control organs, it is also the full responsibility of the insurance regulator to ensure that such a reckless manner of conducting insurance business is properly checked ^[61].

Conclusion

Corporate governance refers to the direction in which senior staffs deal with the Security business. It contains the developments by which members of the board and top level management are measured subjected and responsible for their doings ^[62]. It comprises of corporate orderliness, straight forwardness in management, just, responsibility, honour and social obligation in management. Corporate governance equally represents the compliance with supervisory and genuine fundamentals of effective management ^[63].

Feeble corporate governance frameworks lessen stakeholder trust and confidence, and can discourage outside funding.⁶⁴ Thus, the presence of active corporate governance system within an individual insurance company and across an economy as a whole helps to provide a degree of confidence that is necessary for the proper functioning and ensure legal security of the insurance business and the economy as a whole. Upright management of the insurance company is indispensable to the steadiness and growth of the Insurance business, and stimulating public interest in the business translating into the robust economic growth.

⁵⁸ *Ibid.*

⁵⁹ Like the management, the board of directors, general meeting of shareholders, the auditors, and internal control organs.

⁶⁰ In the Context of Cameroon, this is the Regional Insurance Supervisory Commission of the Members of CIMA herein after refers to as the "Commission".

⁶¹ This cannot be fanciful, as the internal control of insurance companies could at times be disobedient, even guilty of conspiracy with management and owners in intentional insurance misconduct. In this light, the insurance regulator is generally regarded as the watchdog of every insurance business. This is the role that has been confided to the Commission.

⁶² Arun, T. G., & Turner, J. D. (2010). Corporate Governance of Insurance companies in developing economies: Concepts and Issues, Journal of Development Economics and Public Policy.

⁶³ Githaibi Miringa, M. (2015), Corporate Governance Practices In Insurance Companies In Kenya, Masters Dissertation, United States International University- Africa, P. 1.

⁶⁴ World Bank, Report on the Observance of Standards and Codes of Corporate Governance, Country Assessment for Senegal, June 2006, p.1.

Unquestionably, the excellence company management which enables successful, long-term and sustainable conduct of insurance business is not only important for shareholders but also for all other stakeholders. However, with the above-mentioned, it is noted that effective corporate governance, which fashions the structure for a successful organisation and management of insurance companies, has a moderately advanced importance than in other businesses ^[65]. The great position of corporate governance in insurance companies is predominantly noticeable when big insured events occur, such as natural and technological disasters that cause giant material losses and also when companies may suffer significant financial losses under the third party liability insurance for personal data theft.

Policy considerations

In order to ensure effective corporate governance of insurance companies, it governance principles should;

The board of directors should uphold the improvement, application and effective control of strategies that evidently define and support the aims of the concerned company;

The board of directors should clearly outline the roles and tasks of persons answerable for management and control of the companies;

They should be sound remuneration of the employees which will help avoid conflict of interest.

They should provide for corrective actions, that is sanctions for non-compliance with the governance policies of the company or weak oversight, management and control.

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⁶⁵ Njegomir V., Rajko T. (2014), op. cit.

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