

GOVERNANCE OF INSURANCE FIRMS, A COMPARATIVE STUDY BETWEEN THE SAUDI AND THE INTERNATIONAL INSURANCE REGULATIONS: EMPIRICAL FINDINGS

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ABSTRACT

This paper attempts to explore corporate governance from the *Sharia'h* Islamic perspective. It's also compares between western and Islamic corporate governance models, as well as *takaful* corporate governance. It is also important to highlight the challenges that faces the right implementations of corporate governance such as asymmetry of Information which been covered on this paper. IFSB (Islamic Financial Services Board) and IAIS (International Association of Insurance Supervisors) have also spent a quite good efforts to standardize the *takaful* industry, of which been covered here. Importantly, no studies have been conducted to systematically document the framework efficiency of the *takaful* corporate governance system. This paper attempts to fill the gap. The paper reports results on the perceptions of 420 participants of *takaful* Operators "TOs" in Saudi Arabia. Participants were questioned to confirm the healthy conditions of the corporate governance system of nine major TOs in Saudi Arabia. Conditions such as proper relationships between company's management, its board, its shareholders, and other stakeholders. Satisfying participants return on investments considered another important factor for healthy corporate governance system. Another corporate governance benchmark includes corporate discipline, transparency, independence, accountability, responsibility, fairness and social responsibility to participants. Accuracy of disclosure on all material matters regarding the insurer, including the financial situation, performance, ownership and governance arrangements are also included in this paper as a benchmark to assure the accuracy of corporate governance system. The research findings indicate that participants have overall weak satisfaction indications about the quality of corporate governance system on these selected nine TOs. Accordingly, it's highly recommended for the TOs to spend more efforts to launch a framework that could enhance their corporate governance system.

Keywords: Corporate Governance System, *Takaful*, Saudi Arabia, Ethical Problem.