

Prudential Policy Unit  
International Credit Institutions  
Financial Regulator  
PO Box 9138  
Dublin 2

30 June 2010

Financial Regulator,

I write to you in response to your request for feedback on Consultation Paper CP41, regarding the future of corporate governance as it relates to Insurance Undertakings in Ireland.

As Chairman of CUNA Mutual Life Assurance (Europe) Limited and CUNA Mutual Insurance (Europe) Limited, on behalf of my Board and the parent organisation, we welcome this initiative and support proposals to formally enhance the structure and image of corporate governance in Ireland.

Prior to providing feedback on our assessment of the Consultation Paper, I'd like to start by providing an overview of our business.

### **1. Business Overview**

CUNA Mutual operate two underwriting insurance entities in Ireland, CUNA Mutual Life Assurance (Europe) Limited and CUNA Mutual Insurance (Europe) Limited. Both entities operate from Dublin and support the underwriting of Life and Creditor Insurance products in Ireland and the UK. CUNA Mutual focuses on specific market segments and has an established reputation in the Credit Union and Building Society sectors, globally. Its products are relatively uncomplicated, ethical and affordable. Its operational infrastructure is designed to support both product lines efficiently. CUNA Mutual have global experience in both product sectors and have built its European business model, located in Dublin, with its 'known' products and 'known' markets in mind.

Both underwriting entities share a common Board and Executive structure. This structure has been agreed with the Regulator in advance of commencing operations.

### **2. Feedback on CP 41**

The general thrust and direction of your proposals in CP 41 are directly aligned with the operating principles and beliefs of CUNA Mutual Insurance Society ("CMIS"), the parent organisation for CUNA Mutual's European businesses. We see the adoption of such a governance code as a positive step towards enhancing and sustaining the reputation of Irish financial entities.

Whereas we generally support the views articulated in your document we would specifically bring your attention to the following;

- 1.4: The operations of CUNA Mutual's two underwriting entities are closely monitored by the parent organisation which itself is operating in a highly regulated environment with a strong governance culture. The Board of CMIS follows the key principles set out in your report. Consequently, our following comments relate specifically to the application of proportionality within your recommendations.

- 4.1(a) & 5.6: CUNA Mutual's entities fall within the definition articulated in this clause. It supports the view that the Chairman should be a non-executive director, however not necessarily independent. Given that CUNA Mutual's entities are wholly owned subsidiaries, and the business is relatively low risk, we would express a strong view that the parent organisation should be permitted to appoint a suitably qualified non-executive Chairman for these entities. In this way, consistency can be achieved on both the entities and the parent organisation's strategy, whilst maintaining strong and robust governance processes. We would welcome clarifying language in the final draft of the regulation specifying applicability of such an arrangement, above, for wholly owned subsidiaries of international groups.
- 4.6: We support the view that Directors should afford the business sufficient time to execute their roles effectively. However, as with 4.1(a), proportionality should be considered where these are Directorships within a Group structure. CUNA Mutual's parent organisation have a dedicated international management and oversight team. Their role is to provide support, on a non-executive basis to its international subsidiaries, including Board participation and governance. We believe that it is appropriate for specific, qualified representatives from the parent organisation to hold non-executive positions on several of our international entities simultaneously. This would be subject to the Board of the Irish regulated entities being satisfied that appropriate time and knowledge was invested in their business. Clarifying language specifying exceptions to absolute numeric limits on Board participation for directorships within a common group of affiliates would assist in that regard.
- 5.10: As with the matters raised above, we believe that this clause needs to be applied proportionally as it relates to wholly owned subsidiaries of Group entities. In this context, we believe that it is not a dilution of good governance for the Chairman, appointed by a parent organisation, to be Chairman of another (or multiple) entities within the Group, subject to the criteria that they are suitably qualified and can afford sufficient time and expertise to their appropriate roles. In addition, for credit protection insurance written through our Insurance entity, it would be accepted practice to have a common Chairman for the Insurance and Life entities.
- 6.2: In the matter of a General Insurance business, underwriting only Creditor Insurance, It is accepted practice given the nature and classes of Insurance, to have a common CEO role with both the Life and general insurance entities, as frequently products are considered by both entities.
- 9.2: As with the nature of CUNA Mutual's business outlined in 4.1(a) above, we support the Regulator's view on the appointment of a CEO by the Board. However, the subsequent appointment of other senior managers, who may not necessarily be Control Functions, is generally a matter for the Executive management of the business, including the parent organisation's HR Business partner. We believe that the involvement of the Board in all HR matters should be reserved for oversight, performance and remuneration, with the exception of the CEO's role.
- 11.1: CUNA Mutual's business model is relatively stable and low risk. The nature of products underwritten by the business tend towards monthly cycles which are, for the most part, predictable. Given the nature of its business, the Board believe that Quarterly board meetings are appropriate and timely. Where special matters need

to be addressed or strategic matters presented, the Board can and have dealt with these by holding additional meetings. Again, language in the text of the regulation providing exceptions for companies such as ours would be useful, and it would also help in ensuring proper understanding of the role of the Board versus the role of management with respect to day-to-day operations.

- 14.3: CUNA Mutual's two Board Committees are Chaired by independent non-executive Board members. We believe that this should be a standard for the objective oversight of Executive functions. The parent organisation has also applied this model in other subsidiary entities and met with positive feedback from those respective Boards.
- 17.2 & 18.2: The Board agrees that the composition of both the Audit Committee and the Risk Committee should be exclusively non-executive directors. For wholly owned subsidiaries like CUNA Mutual we do not agree that the composition of the Committees should be predominantly independent non-executive directors, although, to support the objectivity of their oversight role, the Chairman of both Committees should be independent non-executive Directors.
- The Board believe that the establishment of additional Committees, and their specific relevance within a Group structure as it relates to wholly-owned subsidiaries, should be considered as part of a broader corporate Group strategy. In addition an ad hoc, or permanent Committees can be established as required in order to address a specific issue e.g. new Regulatory guidelines. Clarifying language on this subject, as it relates to wholly-owned subsidiaries would be beneficial.

In summary, we believe the matters of proportionality and applicability, particularly as they relate to wholly owned subsidiaries of larger international organisations need to be clarified in advance of your proposals being adopted and implemented. In this way, greater clarity and transparency can be achieved for organisations such as CUNA Mutual. Leaving such matters open to future interpretation or requiring pre-approval for minor variations runs a high risk of disrupting business models and damaging opportunities for business growth in Ireland, without improving the risk climate for such entities. We welcome the publication of your Consultation Paper and encourage its adoption subject to the clarifications and refinements recommended above.

Yours sincerely

**Sue Albrecht**  
**Chairman**  
**CUNA Mutual Life Assurance (Europe) Limited**