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

Re: Consultation Paper CP 41 – Corporate Governance Requirements for Credit Institutions and Insurance Undertakings

To Whom It May Concern:

We appreciate this opportunity to present our thoughts and views to the Financial Regulator (FR) in relation to the Consultation Paper. We see this as a positive step forward and broadly speaking, a step that is very welcomed. Having reviewed the Paper, the Board of Generali PanEurope have outlined some proposed amendments and identified some areas which we believe require further clarification.

Proposal Section 4.2

- 4.2 The Requirements invite institutions to notify the FR within 5 working days of identifying a deviation from the Requirements, advising of the background to the deviation and the proposed remedial action. While we agree with the need for timely notification, we feel that immediate and systematic implementation within a 5 day period will be difficult to achieve and may be disproportionate if one does not take into account the nature, severity and frequency of the breach. As an alternative, we suggest an initial report identifying the deviation should be required within 10 days and a full report required within 30 days, incorporating the full background and proposed remedial action.

Consultation Paper

- 1.4 We note that the full extent of the Requirements will apply to major institutions but suggest that it may be helpful if the definition of a major institution within section 5 to mean/apply to “an institution that is locally listed, has systemic importance, has a sufficiently large presence on the local market, or has large international activities”

We fully agree that institutions which are part of a financial services group within a comparable corporate governance framework should apply the Requirements proportionately. However, we would look to the FR to provide guidance on the precise meaning of “applied proportionally”, to ensure consistency across the industry.

- 4.1(a) We note that this requires the Board to have a balance between independent and other directors, where the institution is a subsidiary of a suitably regulated entity. We would appreciate some clarification on this section, as although we see the need for a significant presence of independent directors, we believe that a qualified number of independent directors should be sufficient within institutions of this type.

We welcome the section which allows independent directors on the Boards of other group companies to sit as independent directors on the Board of the institution.

However, we suggest this should also be extended to the position of Chairman, as this is a helpful feature in a group environment (see 5.10 below).

- 4.3 We note the requirement to ensure a majority of directors are reasonably available to meet the FR at short notice. Clearly at all times we would endeavour to meet this requirement but in common with many other companies, our directors are widely spread geographically (suited to an internationally minded entity) and therefore some further guidance on short notice would be appreciated. This requirement would also be simplified, for example, if teleconferencing or other similar mediums were sufficient for these meetings.
- 4.5 We agree that it is necessary to limit the number of directorships held by directors of institutions. However, individual directors have different responsibilities within Boards and therefore time commitments may vary considerably. We therefore feel it is difficult to define a fixed cap on directorships, as this may be inappropriate for particular individuals. As an alternative, we suggest that the Board of directors should review the appointments of each director and establish an appropriate limit. This could then be further monitored by the FR as part of the process whereby new director appointments are reviewed and approved.
- 5.7 We note the requirement to have the Chairman proposed for election or reappointment on an annual basis but question whether this is fully aligned with the principle of having a strong empowered Chairman. We suggest that an extended fixed term for the Chairman will more properly support corporate governance. The Board will still have the ability to remove the Chairman, if activities or actions are considered to be outside of accepted practice.
- By way of example, we have considered the system at the European Central Bank, where the Chairman is elected for a fixed term of 7 years and that individual does not come for re-election within this period to ensure proper independence.
- 5.8 We note the proposal to require the Chairman to obtain the approval of the FR before accepting any other directorships. However, we suggest this should be amended to only apply for directorships of companies outside of the EU, as within the EU, the individual will need to be approved by local equivalent authorities.
- 5.10 We note the proposal that the position of Chairman should only be held by an individual within one institution at any one time. However, we suggest that this is unlikely to be practical within a group environment, as it is common that the same Chairman could hold more than one such post within large groups with multiple subsidiaries.
- 6.2 We note the proposal that the position of CEO should only be held by an individual within one institution at any one time. This is similar to 5.10 above and we suggest that this is also unlikely to be practical within a group environment, as it is common to have the same CEO within large groups with multiple subsidiaries.
- 7.4 We fully support the proposal that non-executive directors shall comprise individuals with relevant skills, experience and knowledge. However, we suggest that the wording be slightly amended by replacing "including" to "for example" and adding additional wording such as "other relevant skills". We believe it is important that companies will need individuals with other relevant knowledge that relates to the specific needs of the business e.g. actuarial.



- 9.3 We agree with the proposal that the Board should approve the appointment of non-executive directors but would highlight that in most companies, it is the shareholder(s) who will ultimately approve Board appointments (ultimately, under many jurisdictions and laws, it is for the shareholder assembly to ratify appointments).
- 9.6 We agree with the proposal that the Board will ensure that a succession plan is in place within each company but assume that the succession plan will only refer to key executive positions, as this would be very difficult to implement if this is to also apply to the Board of directors.
- 11 We note the requirement that the Board shall meet at least once every calendar month subject to nature, scale and complexity. However, particularly in a group environment, this could be considered excessively onerous. While the Board is ultimately responsible for the supervision of a company, day to day management is properly delegated to the management who will support the Board by regular and relevant reporting (including monthly frequency). We suggest that within a group environment, the Board should be required to have at least quarterly meetings, with an additional meeting for accounting purposes and additional meetings to deal with significant business or regulatory needs, as required. This could be simply applied by extending the definition of "institutions with lesser scope and low risk profile" to include subsidiaries of groups.
- 14.1 We note the requirement to establish separate Remuneration and Nomination Committees in major institutions, apart from where these exist at higher levels in a group environment. However, we suggest that these may indeed exist in a group situation although not necessarily in a unified setting to be in line with local regulatory requirements, and if this is the case, separate Remuneration and Nomination committees could create undue bureaucracy and fragmentation. We therefore suggest that this should not apply to group subsidiaries.
- 19.2 We note the requirement that members of the Remuneration Committee should be independent non-executive directors. However, while this is desirable in a public company, it is vital in a group environment to establish consistency on remuneration, nomination and wider HR issues and therefore suggest that the definition of members should be extended to include all non-executive directors. We also suggest that in a group environment where the group committee is already chaired by an INED, as required by local equivalent rules, the local subsidiary may satisfy itself with a NED as Chairman.

We are very grateful for this opportunity to participate in this consultation process and are very happy to discuss these matters with you further, if you deem this appropriate.

Yours sincerely,


Paul Gillett
CEO & Acting General Manager

cc Leslie Priestley, Chairman