

***Aon Insurance Managers (Dublin) Limited***

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Governance, Accounting and Auditing Policy Division  
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E-mail: Submissions should be marked "Corporate Governance Code for Captives" and sent by email to [corpgov2@centralbank.ie](mailto:corpgov2@centralbank.ie)

10<sup>th</sup> June 2011

**Re: Corporate Governance Code for Captives – CP53**

Dear Sir/Madam,

Thank you for the opportunity to comment on the proposals put forward by the Central Bank of Ireland (CBI) in its consultation paper CP53 "Corporate Governance Code for Captives". We are pleased that the CBI has recognised that Captive Insurance and Captive Reinsurance companies are very different to other Insurance and Reinsurance companies and this is reflected in the application of the principle of proportionality, by the provision of a separate corporate governance code for captives.

Aon represents the interests of approximately 65 re/insurance captive entities, all engaged in cross-border activities. This submission represents the views of Aon on behalf of its client base.

Aon wholly supports the Financial Regulator's aim of enhancing the corporate governance regime in Ireland, and we welcome the opportunity to establish a regime focussing on excellence and principles with criteria which are proportionate, appropriate, responsive and relevant.

Below please find enclosed our comments:

**General Comments:**

- Our view is that any requirements of this code should not conflict with, or be excessive compared to future industry standards agreed, once the corporate governance standards for solvency II are finalised. On that basis, we would request that the CBI keep in mind the principle of proportionality for captives in the application of this code. We have addressed this specifically in our comments below.
- We also note that the Frequently Asked Questions (FAQ's) document for the corporate governance code for credit institutions and insurance undertakings, does not form part of this code.
- We seek clarification from the CBI that where a Captive Insurance or Captive Reinsurance company is in run-off and has ceased business, and it is in the process of closing down, that it will be exempt from this code.

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Registered Office:

Third Floor, The Metropolitan Building

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Registered in Ireland No. 152738

Directors: Rory Moloney (Managing), Stephen Cross, Alastair Nicoll (British), Richard Endersen, Ann O'Keeffe, Dermot Finnerty, Brian Lehane, Vincent Barrett, Kieran Stack, Tanguy Gaidoni

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**Specific Comments:**

**Section 8.1 (4) and section 9 (c)**

We note that SI 220 is currently under review with respect to its applicability to captives. On that basis, we request that all reference to SI 220 be removed from this code.

**Section 1.0 Scope 1.4**

We propose we add the additional words noted in red for clarification purposes:

'Captives are required to disclose in their annual report that they are subject to the Code and whether they are required to comply with additional corporate governance requirements **as specified by CBI**'.

**Section 7.0 Composition of the Board 7.4 (20)**

As a captive undertaking is a core element of the risk management structure & programme of an organisation, we do not agree that it is relevant for Directors of captives to provide a split of their time for this role, as this role is central to their full-time position.

**Section 7.0 Composition of the Board 7.7 (21)**

Given the role of the captive manager in the captive company, it is usual for the captive manager to provide a director, normally at senior staff level, who sits on the captive board. This is a positive contribution, given the typically low number of employees in a captive. This role would form part of their full-time position within the captive management company and from a time commitment perspective, it would not be in addition to their full-time role. We would ask the CBI to acknowledge this and agree that it is not necessary for employees of Captive Managers acting as Directors to provide a split of their time, once they comply with the requirements of section 7.5 pages 20-21 as noted in this same section.

**Section 8.0 Chairman 8.1 (23)**

We would ask that the requirement for a Deputy Chairman be removed. This requirement as it currently stands is not included in the main Code, and it goes against the requirements of Table A of the Companies Act. If this requirement remains, a lot of companies will need to get their Memo and Articles of Association amended in order to comply with the requirement of a deputy chairman.

**Section 12.0 Appointments 12.2 (30)**

We would suggest that the word 'people' be amended to 'professional advisors'

**Section 13.0 Risk Appetite 13.1 (32)**

We would recommend that this section be amended as follows in order to appropriately reflect the principle of proportionality in the captive context.

"The board is required to understand the risks to which the captive is exposed and shall establish a documented risk appetite for the captive. The board is required to develop suitable measurements to enable the risk appetite to be established proportionate to the nature, scale and complexity of the business (e.g. leverage ratios, acceptable stress levels)."

**Section 13.0 Risk Appetite 13.2 (32)**

The nature of captives is such that often there is no differentiation between short, medium and long-term horizons. Therefore we propose that the second sentence of this item be deleted.

We would welcome the opportunity to meet with the CBI to discuss any of the issues raised in the above paper.

Thank you and best regards,  
Yours Faithfully

Ann O'Keeffe  
Chief Financial Officer

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