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Risk, Governance and Accounting Policy Division

Central Bank of Ireland

PO Box 559

Dame St

Dublin 2

Dear Sir/Madam

Re: Consultation Paper CP 69

Liberty Insurance welcomed the opportunity to provide feedback and comments to the Central Bank's consultation on the Review of The Corporate Governance Code for Credit Institutions and Insurance Undertakings. Please find attached detailed comments in relation to the Code.

Yours sincerely

Sylvia Coldrick
Head of Compliance

Liberty Insurance Limited

CP69 Consultation – Review of the Corporate Governance Code

Overview

The Board of Liberty Insurance Limited recognises the importance of its responsibility to comply fully with all legal and regulatory requirements, including the Central Bank's Corporate Governance Code for Credit Institutions and Insurance Undertakings (" the Code"). We accept that the Code was a specific response to the financial crisis and has had a positive effect in increasing awareness of the importance of corporate governance framework in Ireland.

Overall we welcome the Review of the Code and a number of the proposed changes outlined. However CP69 does not fully address situations where an insurance undertaking is a subsidiary of a large international insurance group which is capable of overseeing the operation of the insurance undertaking. In such cases the Group should have discretion e.g. over the composition of the board of directors and the sharing of resources and management across multiple group entities and locations (without the need for derogations from the Code.)

Summary of the more significant proposed developments

i. *Risk Committee*

We agree with the proposal to require the Chairman of the Risk Committee to be a non-executive director.

ii. *Chief Risk Officer*

We propose that High Impact institutions should be allowed to share the CRO role, either with another pre-approval controlled function (specifically, PCF 11, 12, 15 and 20 roles – head of finance, head of compliance, the head of compliance with anti-money laundering and counter terrorist legislation responsibilities the chief actuary,) or with another group risk function, provided there is no conflict of interest between the two roles.

By prohibiting the CRO role from being shared with another PCF or group role for High Impact institutions, the Central Bank is not taking into consideration:

- the qualifications and experience of the individual who is to perform the shared PCF roles; and
- the adequacy and quality of the resources in place to support the individual.

As a member of an international insurer, where there is a group function it should be permissible to use a centralised risk function e.g. the Group Chief Risk Officer, approved by the Central Bank, should be able to perform the role for a subsidiary.

iii. *Board Meetings*

Liberty Insurance would challenge the requirement for high impact firms to have 11 board meetings a year and supports the positive review of this requirement. The Board is responsible for the effective, prudent and ethical oversight of the institution. The requirement for 11 meetings a year blurs the roles and responsibilities of board and management and could lead to meetings without meaningful agendas and place unnecessary strain on both directors' and management's time. It may have the effect of restricting the INED pool to those locally based. It can also make it difficult for international group directors to participate.

In the insurance business it is easier to identify trends on a quarterly basis and there should be flexibility to hold meetings around the needs of the business, key reporting deadlines, risk and audit issues.

We would propose that the ideal requirement for high impact firms should be 6 meetings a year.

iv. *Chairman*

Whilst we recognise and welcome that the CBI will consider derogations on a case-by-case basis for High Impact institutions, we suggest that the provision for High impact firms should be relaxed similar to that for Medium High, Medium Low and Low intuitions to allow the Chairman of subsidiaries of groups to hold more than one Chairman position within the same group. This would be subject to the institution being satisfied that the Chairman has sufficient time available to fill both roles and subject to prior approval of the Central Bank. The Chairman of a Group entity can bring invaluable expertise, group perspective and direction to the Board of a subsidiary institution with a common business model as the Group entity.

Chief Executive Officer

We support the proposal that the CEO of a Medium Low/Low Impact institution can hold up to two additional Medium Low/Low Impact CEO roles, where an institution may not justify a full time CEO position. We would propose that where this situation applies the CEO of a High Impact firm should also be allowed to hold an additional CEO role within the same Group, provided the CEO has sufficient time available to fill both roles and subject to the prior approval of the Central Bank. This would be particularly relevant where the two institutions are part of the same group, with a similar business model and regulatory environment, but are kept as separate legal entity.

The appointment of directors is a matter for the shareholder and whilst in most cases the CEO will be a director we do not believe that should be an obligation

v. *Committees of the Board*

Overall, the requirements of the Board sub committees are acceptable

The cross membership with other committees should be further assessed; e.g. the chairman of the Risk Committee must be a member of the Audit Committee and Remuneration Committee. Overall, the rigid nature of the proposals would restrict membership options on committees, and would make committee member rotation all the more difficult, and succession planning in the event of a short term unplanned or temporary absence.

The provisions requiring the Chairman of the Audit Committee to be an independent non-executive Director and that of the Risk Committee to be a non-executive director are sufficient. In the unlikely event that a decision cannot be reached at a committee, it may always be referred by the committee Chairman to the Board.

vi. *Annual Compliance Statement*

We support the flexibility to permit institutions with a non-calendar year end to change the submission basis of the annual compliance statement.

vii. *Board responsibilities*

We have no particular issues around the amendments to the text in Section 13.

Specific areas for comment

i. *Composition of the Board*

We would accept that the issue of board diversity is broader than just that of gender and extends to areas such as nationality and professional background. However this would need to be considered in conjunction with other CBI requirements e.g. requirement to have "relevant skills" such as "accounting, auditing and risk management", Fitness and Probity, MCC, the requirement that a majority of the directors be available to the CBI at short notice.

ii *Directorship limits*

We would support an increase in the number of directorships a director can hold. Increasing the limits would increase the availability of quality individuals for appointment to the boards of institutions. Ultimately the Board and the proposed director should be satisfied that the individual has the time available to effectively contribute to the role.

Other Comments

7. Composition of the Board

7.10 In calculating the number of directorships held, the Central Bank shall exclude directorships held in the public interest on a voluntary and pro bono basis provided that such directorships shall not interfere with the director's ability to fulfil properly his or her role and

functions as a director of a financial institution. *Any such directorships should be notified to the Central Bank.*
This additional requirement is difficult to manage and propose that this is removed as such directorships are non paid and voluntary.

Appointments (Appendix 1)

14.6 Role of the Board

For an undertaking that is a subsidiary of a Group, the requirement for an external evaluation is excessive and expensive. We would suggest that a Group peer review is completed rather an external evaluation.

14.9 Appointments

The requirement of a skills matrix is too prescriptive. The board should consider whether the mix of skills possessed by its members is appropriate, and it should be left to the board to determine how to assess this.

15.8 The Board shall ensure that it identifies risks to be addressed by contingency plans. We would request some clarification around the requirement in 15.8, should this come under the remit of the risk committee rather than the board?

23.5 Risk Committee

Should the requirement here be for the risk committee to have “financial experience” or “financial services industry experience”? The latter would include experienced people who might not necessarily have an accountancy or similar background.