What will be the impact on Corporate Governance for the Insurance Industry post the Financial Crisis in Ireland?

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1. Introduction

I thought it would be beneficial to give an insight into the events leading up to financial crisis in Ireland before dealing with the impact on Corporate Governance post the crisis in Ireland.

The crisis co-insided with the banking scandals that were unfolding in the Irish Financial system. The main political party (Fianna Fail) lost power and significant support and membership as a direct result of its mishandling of the Irish economy leading up to the crisis.

On the 29th September 2008, the Irish government issued an unlimited bank guarantee covering six major banks and building societies. It was on the 21st November 2010 that the Irish government formally announced that Ireland had requested financial assistance from the European Union Financial Stability Fund (EFSF) and the International Monetary Fund (IMF). In April 2011, Moody's downgraded the Irish Bank debt to 'junk' status.

In spite of this the insurance sector continued to thrive. There were 308 licensed insurance and Reinsurance companies in Ireland writing circa €58bn gross written premium in 2009 (latest figures). Dublin provides a hub for pan European Insurance Companies and has the advantages of a low corporate tax base, strong infrastructure for the provision of services, a robust legal system and a well educated and mobile English speaking workforce.

The subsequent reports on the circumstances of the crisis in Ireland have brought into question the standard of corporate governance in Financial Services in Ireland and have led to significant changes in corporate governance for some corporations.

Whilst the financial crisis was precipitated by the banking scandals, there are lessons that the regulatory authorities learned that will benefit the insurance industry.

The recent high profile case of a major domestic Irish Insurance Company, Quinn Insurance Limited, having gone into Administration and subsequently having been sold to Liberty Mutual, has proven that tougher corporate governance standards need to apply to the Irish Insurance Industry. This financial crisis exposed many weaknesses in risk management in financial services. Issues centred on initiatives, governance and culture in the market place. However, the issues were far reaching and deeper than originally thought by the authorities. The lack of enforcement of regulation, compliance and adherence to Corporate Governance were elements behind the collapse of Quinn Insurance.

2. Executive Summary

In examining the impact on Corporate Governance for the Insurance Industry post the Financial Crisis in Ireland, I undertook research from a number of sources in addition to conducting interviews based on a structured survey list of questions with a number of key individuals in the Irish Insurance Sector (refer survey list of questions in the appendix).

In this document, I'll give an insight into Corporate Governance before and after the Financial Crisis in Ireland. I'll also use research from stakeholders in the Irish Insurance Industry to show the impact on Corporate Governance post the Financial Crisis. The survey will include the perspectives from the following key stakeholders in the Irish Insurance Industry;.

- Insurance Companies,
- a Global and International Insurance Broker and the Irish Brokers' Association views,
- the Irish Insurance Regulator's Office and
- an Irish Policyholder.

The Regling-Watson Report (May 2010)[1] gave an insight into the main factors which led to Corporate Governance failures before the financial crisis including the following factors; (a) lack of accountability in the boardroom, (b) lack of competent skills-set amongst directors, (c) lack of training, (d) cronyism (appointing political or business associates to boards irrespective of experience), (e) exorbitant board fees and (f) a lack of Independent Non-Executive Directors on boards.

The implementation of a new Corporate Governance Code in 2011[2] brought with it many challenges for the Irish Insurance Industry. Such challenges include the additional costs associated with the regulatory and compliance functions within companies (insurers and brokers alike). Insurers and brokers have endeavoured to change their practices to ensure full compliance with the new rules and regulations outlined in the Code to avoid enforcement actions and sanctions including fines or the ultimate closure of the business in extreme cases.

3. (a) Corporate Governance Impact on Insurance Companies

Up until 2010, the Irish Regulatory framework was largely a principles based approach. The formal regulatory landscape for corporate governance in insurance within Ireland was limited.

In December 2007, the Financial Regulator (the previous name of the Central Bank of Ireland) introduced a corporate governance code for reinsurance undertakings. This became the de-facto standard for Corporate Governance in the reinsurance and by association, the insurance industry from the regulators perspective.

On the 8th November 2010, the newly renamed Central Bank of Ireland (CBI) published "The Corporate Governance Code for Credit Institutions and Insurance Undertakings" (the 'Code').

The Code applies to existing boards of directors with effect from the 1st January 2011. Institutions were given up to the 30th June 2011 to introduce the necessary changes. Where changes to boards of directors were necessary, the CBI allowed implementation up to the 31st December 2011 in order to allow institutions to identify and assess candidates prior to making appointments.

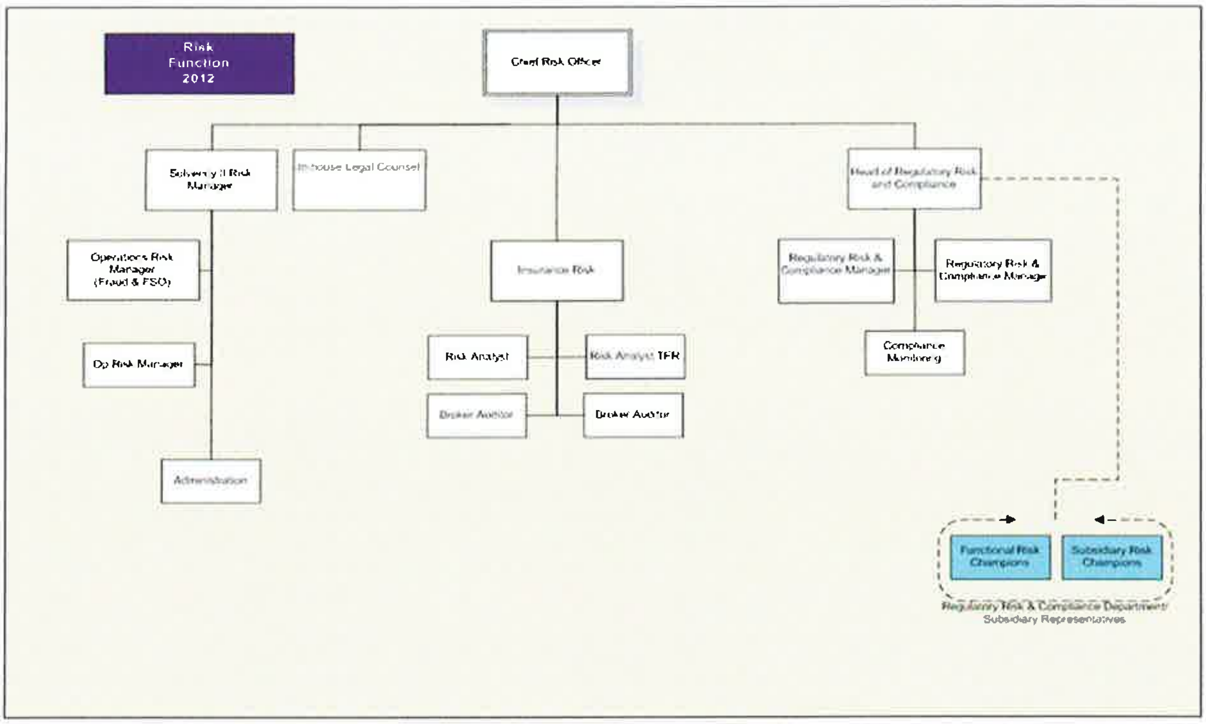
The Code defines a two-tier system for insurers i.e. regular institutions and major institutions. The CBI determines into which category an insurer is classified. For a major institution, the CBI requires that boards have a minimum of seven directors, three of which must be Independent Non-Executive Directors. The board must meet at least eleven times per year. If a director holds a directorship with a major institution, he/she will be limited to only two other financial directorships.

The board is also required to understand the risks to which the institution is exposed and shall establish a documented risk appetite for the institution expressed in qualitative and quantitative terms. It shall be subject to annual review by the board. The risk appetite definition shall be comprehensive and clear to all stakeholders and shall clearly define the short, medium and long term horizons with regular reporting to the board on compliance with the risk appetite.

In the event of a material deviation from the defined risk appetite measure, the details of the deviation and of the appropriate action to remedy the deviation shall be communicated to the Central Bank of Ireland by the board promptly in writing and no later than five business days of the board becoming aware of the deviation.

The board shall satisfy itself that all key Control Functions such as internal audit, compliance and risk management are independent of business units and have adequate resources and authority to operate effectively.

The following is a sample org chart showing how an insurance company configured itself in the area of Risk and Compliance in order to address the requirements of the new Code of corporate governance;



(Source: XYZ Insurance Co. Ltd)

The Code also details the role of the Chairman, CEO, Independent Non-Executive Directors, Non-Executive Directors, Executive Directors and lays down rules governing the structure and requirement to have certain board sub-committees in place, e.g. Audit Committee, Remuneration Committee and Risk Committee. The Code specifies that;

- The board of an institution shall have a minimum of five directors.
- The majority of the board shall be independent non-executive directors. For subsidiaries of groups the majority of the board may be group non-executive directors, provided that in all cases the subsidiary institution shall have at least two independent non-executive directors.
- The Central Bank requires that the number of directorships of insurance undertakings held by a director shall not exceed five. This restriction does not apply to other directorships within a financial services group. For non-financial directorships minimum is eight.
- The board shall formally review its overall performance and that of individual directors, relative to the board's objectives, at least annually. The review shall be documented.
- The board shall meet at least quarterly.

From an Insurer's perspective, the Corporate Governance Code specifies that a company must communicate its risk and compliance procedure clearly to all its staff. Many insurers use their internal intranet notice board, staff reviews, training, internet based tools and face-to-face staff briefings to ensure full compliance with the Code. Whistle blowing Policies have been introduced to ensure employees are clearly able to report any incidents of malpractice or wrongdoing without fear of recrimination (refer Appendix 6(b) for a sample Whistle blowing Policy of XYZ Insurance Company Ltd).

The Central Bank also requires each institution to submit an annual compliance statement as set out at Section 25, in accordance with any guidelines issued by the Central Bank, specifying whether the institution has complied with the Code.

The advent of the Corporate Governance Code brought with it a new regime of regular monitoring of insurers by the CBI. The essential key components for effective monitoring are;

- Understanding existing regulation
- Annual monitoring risk assessment
- Annual (risk based) monitoring plan
- Implementing agreed actions
- Tracking of agreed actions
- Recording of information for future Management Information

In the interview and survey of XYZ Ins Co. Ltd, the monitoring cycle was outlined in detail. The monitoring cycle takes place in five distinct phases, from (1) Annual Preparation, (2) Planning Individual Reviews, (3) Conducting Individual Reviews, (4) Reporting and (5) Closure, outlined in the following diagram.

Monitoring Cycle:

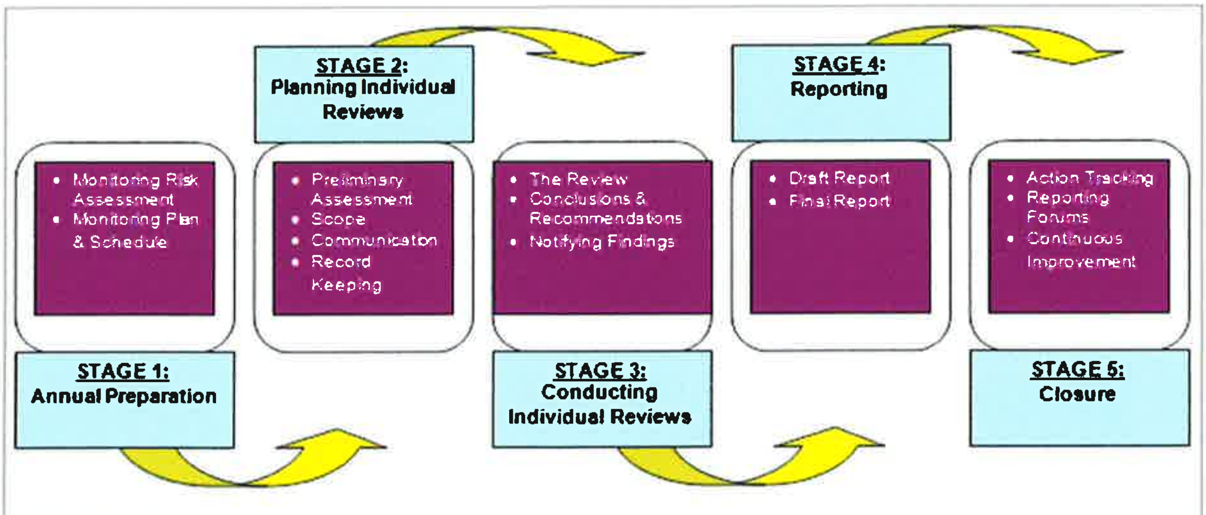


Figure 1: The five-stage monitoring cycle

(Source: XYZ Insurance Co. Ltd)

The outcome of the monitoring process is then prioritised by the Insurer's Risk and Compliance Director into the following categories;

Green Acceptable +	- No issues found, or - A minor control weakness that has caused or is likely to cause non-compliance with Group Policies, CBI regulation and other applicable legislation - Potential or actual fairness risks or issues with minimal customer impact/detriment - Not reportable to the regulator
Amber Acceptable -	- A control weakness or a systemic or recurring control weakness that has caused or is likely to cause non-compliance with Group policies, CBI regulation and other applicable legislation - Potential or actual fairness risks or issues with some customer impact/detriment - Not reportable to the regulator
Red Unacceptable	- A serious systemic or recurring control weakness that has caused a breach of Group Policies, CBI regulation and other applicable legislation - Potential or actual risks/issues with material customer impact/detriment and or, - Reportable to the regulator

(Source: XYZ Insurance Co. Ltd)

The Code has brought with it many advantages and disadvantages from an Insurer's perspective. From my research, one of the main disadvantages is the increased costs associated with the Code in terms of increased staffing costs associated with insurers' obligations under the Code to monitor and comply with the regulations and increased costs associated with increasing the number of board members to eleven.

The positive effects have been the fact that the Code has led to increased control over the corporate governance of institutions and levelled the playing field for the industry and in my view the prohibitive value of the code has outweighed any cost implications.

3. (b) Corporate Governance Impact on Insurance Brokers

The introduction of the Consumer Protection Code (the 'CPC')[(4)] in July 2007 by the Central Bank of Ireland had a major effect on the Insurance Intermediary Distribution Channel in Ireland. In October 2011, the Central Bank published a revised Consumer Protection Code, which came into effect from the 1st January 2012 for all regulated entities.

Prior to its introduction brokers operated largely in a regime of self regulation overseen by their own representative bodies, The Irish Brokers Association (IBA) and The Professional Insurance Brokers Association (PIBA).

The new era of Corporate Governance and Consumer Protection had a distinct positive effect in terms of distinguishing the professional broker to the consumer and raising standards within both the insurance and banking sectors.

From a corporate governance perspective, the intermediaries in Ireland must comply with strict rules and regulations covering the following areas;

- Conflicts of Interest.
- Personal visits with customers.
- Regulated activities.
- Post sale information requirements.
- Errors and Complaints Resolution.
- Records and Compliance.

The CBI also introduced a revised Minimum Competency Code (the 'MCC')[(5)] in October 2011 and introduced the MCC[(5)] into law in December 2011. An earlier incarnation of the MCC[(5)] had been introduced in 2007 however, post the financial crisis in Ireland far stricter measures were required which included the requirement for additional competence and training of employees engaged in the financial services sector. Under MCC[(5)], insurance regulated entities must ensure that any employees who provide advice or sell insurance products must meet a minimum required competency standard either through holding a recognised insurance qualification or under strict supervision within the "grandfather" rule. The MCC[(5)] places a responsibility on the employer to ensure that all CPD records are maintained and kept by their employer for inspection by the regulator at any time.

Under the MCC[(5)] requirements, the CBI carries out themed inspections on Insurance regulated entities in Ireland. The CBI last published its findings of its survey of brokers in 2010 on its site inspections. Of the twenty-five regulated firms inspected, only 25% were found to be fully compliant with the MCC[(5)].

In the course of my survey with a Global Insurance Broker, the approach to the new Corporate Governance regime in Ireland was highlighted including the approach taken to adopt the new corporate governance regime. The broker's global statement on Compliance and Corporate Governance is 'An unwavering commitment to personal and professional integrity, ethics, honesty and fair dealing'. The broker has a very strong code of business ethics feeding into its overall culture and philosophy on Corporate Governance. Clear examples were provided as follows;

1. Each staff member must read and sign the company's 'Code of Business conduct'.
2. The Code is issued annually to all staff.
3. Every quarter, approximately three online modules with exams are issued to all staff on ethics and compliance.
4. All staff receive regular updates from the company's global HQ in the USA.

5. The company's internal staff intranet website is updated regularly on corporate governance issues to ensure a common cultural approach globally in the organisation.

In this case study, the Chief Compliance Officer for this Global Broking firm also outlined the monitoring process adopted and implemented post the financial crisis to ensure the effectiveness of the company's own corporate governance procedures.

The following are a list of actions taken by the broking firms to ensure a consistent approach globally to its own corporate governance rules which also takes into account local regulatory factors.

<u>Effectiveness & Monitoring of the Company's Corporate Governance Procedures</u>;

1. Quality Review Committee (QRC) and an Errors and Omissions Committee are established which oversee all risk, compliance and ethics issues within the organisation locally in each region. Each region will have differing regulatory and compliance requirements to adhere to.
2. The broker's CEO, Chief Broking Officer, Chief Financial Officer, Compliance Officer and another Director from the business all sit on these two committees.
3. Regular audits take place to review process and establish 'cause, consequences and actions taken to remedy'. Audit results from the various units are reported to the QRC and E&O Committee.
4. QRC reports to the local 'Commercial Operations Board' (COB) made up of senior company directors.
5. All staff are encouraged to report and raise and issues or concerns to these two committees.
6. The company has a 'Whistle Blowing Policy' for employees to use.
7. Board meetings have a standing item son the agenda for Corporate Governance, Risk and Compliance.
8. Chief Compliance Officer regularly meets the CEO and Chairman separately.

3. (c) Corporate Governance – Central Bank of Ireland

Regulation Pre-Financial Crisis in Ireland

Financial regulation prior to the Financial Crisis has been retrospectively described by analysts as 'light touch regulation'. The failure of one major domestic insurance company (Quinn Insurance Limited) and the continuing fallout for the Irish government highlights the importance of strong governance such as that contained within the Corporate Governance Code[2]. This is key to re-establishing Ireland on the international business platform.

From my interview and research with the CBI a number of factors are attributed to the lack of Corporate Governance prior to the financial crisis in Ireland i.e.

1. Lack of clarity from the regulator on Corporate Governance, Risk, Compliance and Ethics.
2. Lack of independent non-executive directors (INEDS) on boards.
3. Company Directors were not suitably qualified and cronyism was present in selecting certain directors to boards. Length of service in the company could be a ground for appointment to director in the past.
4. Lack of enforcement and consistency from the CBI on regulated entities found non-compliant with the corporate governance rules at the time.
5. Self Regulation wasn't effective and a change was required.

Regulation Post the Financial Crisis in Ireland:

The current policymakers responsible for financial regulation in Ireland can't be accused of inaction following the recent financial crisis.

In December 2011, the CBI launched PRISM (Probability Risk and Impact SysteM)[7]. The new framework establishes a robust new approach for regulation in Ireland for supervising regulated entities. In effect, PRISM[7] is similar to the UK Financial Services Authority ARROW II system. Firms are ranked with one of four impact assessment categories and the regulator allocates appropriate resources to supervise each category.

There is also a small subset of high impact firms which are referred to as 'ultra high impact' see table 1 below.

Table 1 – Central Bank of Ireland Impact categories[7]

Impact Category	No. of Firms
High (including Ultra-High)	c. 20
Medium High	c. 70
Medium Low	c. 450
Low	c. 10,300

(Source : Central Bank of Ireland)

Post the financial crisis in Ireland, the CBI took steps to ramp-up inspection activity on regulated entities. To achieve this, it increased its staff to 714 at the end of 2011, up from 531 at the end of 2010 and 385 at the end of 2009. This significant increase in staff coupled with the restructuring within the CBI all positively impact on the effective governance of the insurance sector in Ireland post the financial crisis as per table 2 below.

Table 2 – Central Bank of Ireland Resourcing: (Supervisors) [7]

Impact Category of Firm	Supervisors allocated to Firm
High (including Ultra-High)	Eight
Medium High	Between two and four supervisors
Medium Low	Between 50% and 100% of a supervisor
Low	Between 10% and 20% of a supervisor

(Source : Central Bank of Ireland)

The regulator has invested heavily in the education and training of its staff to ensure thorough investigating and inspections take place (refer Central Bank Organogram in Appendix 6(c)). The recent recruitment programme initiated by the CBI includes highly educated and experienced staff including qualified actuaries, accountants, experienced insurance professionals and legal staff.

From a corporate governance perspective, the regulator has deployed a set of engagement tasks which are designed to help the Inspectors understand regulated firms better and discuss key issues with the leadership team in firms. The ultimate aim is to analyse and act swiftly on any key actions identified during the inspection process. The regulator will have a league table of insurers and over a period of time will develop a clear understanding of which firms are engaging with it and embracing a compliance culture.

Why Enforcement is necessary?

Lack of enforcement was prevalent in Irish Financial Services prior to the financial crisis. Under the new regulatory regime, the Central Bank of Ireland has powers to allow it put a firm into administration in order to ultimately protect its customers.

The Central Bank has an enforcement Strategy in place and in 2011 the regulator carried out thirty-two enforcement cases. Six cases identified covered priority areas such as risk management systems and control, premium-charging issues, compliance on clients' funds, timeliness and accuracy of documentation.

Enforcement involves action by the regulator and is seen as a powerful deterrent on other offending regulated entities. When rules are breached the regulator has the legal authority to take swift actions. This is a clear departure from the previous regulatory regime and impacts positively on the sector both locally and internationally.

Example:

The Central Bank reprimanded Aviva and required it to pay a monetary penalty of €245,000.

The Central Bank detected the breaches in January 2011 during a thematic review of the complaints handling procedures in place in insurance undertakings providing products/services to Irish consumers.

The firm's complaints handling policies and procedures did not fully reflect the requirements set out at provision 46 (a) to (e) of the Code. A sample of seventy six of the firm's individual customer complaint files were reviewed. Fifty out of the seventy six files examined were found to contain clear breaches of one or more of the complaints handling provisions of the Code.

(Source : Central Bank of Ireland)

3. (d) Corporate Governance Impact on the Irish Consumer

The introduction of the Minimum Competency Code (MCC)[5] in December 2011 and the Consumer Protection Code (CPC)[4] in January 2012 had at their core the protection of consumers in the insurance industry. Prior to their introduction, consumers were treated with varying levels of service from regulated entities (both insurers and brokers). The new regulated Codes sought to incorporate a rigorous set of common rules which the Insurance Industry were obliged to adhere to.

What are the positive outcomes for Irish Consumers?

The implementation of the Codes had many positive advantages for the Irish consumer, i.e.

1. Improved documentation:

   - All instructions received or on behalf of a consumer must be acted on without delay in an efficient manner.
   - Records must be kept of all instructions and transactions.
   - The sale of insurance products must not be conditional on any other issue. Any additional extras must be disclosed and a fee agreed in advance of binding cover.

This avoids possible future conflict in the event of a claim by a consumer.

2. Terms of Business :

   - Prior to the inception of any insurance policy, all regulated entities within the scope of the code must issue a 'Terms of Business' letter to the prospective client. This should include the following as a minimum;

     a) Detailed description of the insurance policy.
     b) Statement of the fees and charges being applied.
     c) Full details of the company, the complaints handling procedure and its process.
     d) Details of the broker's conflict of interest policy.
     e) Information on the firm's membership of the compensation scheme.
     f) Full disclosure of the regulated entities i.e. legal name, address and group affiliation.
     g) Confirmation of the authorisation and regulatory status of the broker.

3. Provision of Information to the Consumer :

   - Where telephone conversations are being recorded, there is an obligation on the regulated entity to inform the consumer from the start of the call.
   - Regulated entities are also required to have adequate measures in place when communicating with customers and ensure the security of the information is maintained.

4. Knowing the Consumer :

   - Another positive development for the protection of the consumer is the requirement under the CPC of knowing the consumer.

5. Suitability :

   - From a consumer perspective, a regulated entity must issue a suitability statement offering the 'reasons why' it has recommended a certain insurance product and the insurance provider. The consumer is therefore clear in his decision-making process in purchasing the product in question.

6. Unsolicited Contact with Consumers :

   This is undoubtedly a major positive step forward for the protection of consumers and includes the following strict conditions;

   - Existing Customers – contact by phone or by personal visit can't occur without prior authorisation.
   - New Customers – contact is permitted only where consent has been provided in the previous six months.

7. Disclosure Requirements :

   - From a consumer perspective, a regulated entity must include a disclosure statement on all its business stationery, advertising and electronic communications including its website.
   - Regulation requires that where 'charges' are applicable, the consumer must be supplied with all the details of the charges.

These advantages can't be overlooked and provide clear evidence that the implementation of the new regulatory codes post the financial crisis in Ireland are having the desired positive effect. This is an important step forward from a consumer perspective but also from an international investment perspective where Ireland is now seen as a safer place to transact business from a regulatory and corporate governance perspective.

4. The Future of Corporate Governance for the Irish Insurance Industry

In February 2012, Pete Lunn (Research Officer, The Economic and Social Research Institute, ERSI)[8] issued a report which highlighted the need for tougher financial regulation in Ireland. The over-arching premise was the need to protect consumers when they deal with companies in the Financial Services industry. The ESRI conducted over eighty studies of how consumers make financial decisions and it revealed systematic bias resulting in consumers paying too much for insurance or financial products and in some cases taking too much risk. The report author stated *'In the wake of the financial crisis many countries have recognised the need to strengthen the protection for consumers of financial services and have begun to introduce new rules. This shows we need tougher regulation of the financial sector – to have rules that force companies to protect consumer interests'.*

The regulator also outlined its vision for the future of corporate governance for the Irish Insurance Industry in February 2012, by announcing its Enforcement priorities for 2012, whilst stressing the importance of enforcement within its new regulatory framework.

Director of Enforcement at the CBI, Peter Oakes, stated that *'Enforcement action combined with the resultant publicity has a powerful impact, promoting compliance and deterring other industry participants from non-compliance'.*

The CBI noted that its Enforcement effort for the future is being directed towards the areas of greatest concern to its supervisory divisions. These areas of concern will be aligned to the CBI's programme for 'Themed Review Inspections' for 2012. To achieve its aims, the CBI has made provisions in its allocation of its resources for 2012 to allow for vigorous investigations and follow-up inspections of regulated entities in Ireland.

The future of corporate governance for the insurance industry in Ireland will also be heavily influenced by the Solvency II Directive. The CBI has referenced the Quantitive Impact Studies (QIS) utilised by The European Insurance and Occupational Pensions Authority (EIOPA) and the requirement for the insurance industry to increase its level of preparedness for Solvency II.

The proposed Solvency II framework has three main pillars;

Pillar 1 : Consists of the quantitive capital requirements.

Pillar 2 : Outlines the requirements for governance, risk management and supervision by regulatory authority of insurers.

Pillar 3 : Focuses on the disclosure and transparency requirements.

Its in complying with Pillar 2 where enhancements to corporate governance will be required e.g. the role of risk management, actuarial, audit, implementation of risk appetite etc.

Whilst the ultimate aim of the new corporate governance regime in Ireland is the protection of the consumer and to avoid financial uncertainty with regulated entities, there is a strong argument that too much regulation in the industry can prove counter-productive in the long run.

In this document, both the advantages and disadvantages of regulation were highlighted from the various industry perspectives. We have to be cognisant of the fact that there is a danger that with increased regulation, we run the risk of concentrating on quantity rather than quality i.e. the requirements to have eleven board meetings per year, a minimum of seven directors and the requirement for INED's, for major institutions and ultra high risk companies.

The costs associated with risk and compliance for regulated entities is an important factor for the future of companies in Ireland. Whilst regulation is required, there is a risk that the Insurance Industry in Ireland is being over regulated as a direct result of the failure of the Irish Banking Sector.

5. Conclusion

In Ireland, there is clear emphasis on the need for good corporate governance aligned with robust regulation to secure the long-term interests of the insurance sector and to protect the interests of policyholders, beneficiaries and shareholders and ultimately the Irish economy.

In attempting to answer the question in this paper, 'What will be the Impact on Corporate Governance for the Insurance Industry post The Financial Crisis in Ireland?', all the research and evidence has shown that the resulting change in the governance and regulation within the sector has been enormous. The pace of change has been accelerated and whilst the regulatory changes were not always popular or easy to implement, the need to ultimately protect the consumer and maintain high standards within the insurance industry were of paramount importance. Internationally, Ireland's regulatory and compliance environment is now held in high regard and the era and perception of 'light touch regulation' has been dispelled.

In this document, I've highlighted the definite requirement for regulation within the Irish Insurance industry in order to ensure proper corporate governance exists within the sector. I've also outlined both the advantages and disadvantages of increased regulation. The Irish Insurance Industry has a professional image with a highly trained and qualified workforce which is a definite advantage to the consumer.

In addressing the future of corporate governance in the sector post the finance crisis, I discussed the various regulatory codes (including the Corporate Governance Code(2), CPC(4), MCC(5), PRISM(7), Solvency 11 impact(10), and the European influence from EIOPA(15)). I outlined the future plans of the regulator and discussed its enforcement priorities for 2012.

In this paper, I have attempted to balance the arguments both for and against increased regulation with the ultimate aim of protecting the consumer and ensuring a robust and financially sound insurance industry in Ireland, which is important for the economy to function.

It is accepted that whilst the requirement for tight corporate governance and regulation in the Irish Insurance industry is crucial, it must be balanced and fair. The insurance industry must not suffer "read-across" for the ills of the Irish Banking system failure and in effect be 'tarred with the same brush' from a regulatory perspective. Whilst Corporate Governance was clearly lacking in the banking sector, Ireland's insurance industry has remained resilient throughout the financial crisis. The Irish economy needs a strong and financially sound insurance industry to be viable. In my opinion, regulation and corporate governance are a key component of this process. Ultimately, the goal of Corporate Governance is to be fair and equitable in operating for the protection of the consumer. Increased regulation must not become an obstacle to doing business where increased costs associated with regulation are incurred by the industry and ultimately borne by the consumer in the end.

In conclusion, its my view that continued close engagement between the Irish Financial Regulator and the Irish Insurance Industry stakeholders will ensure best practices are maintained as the industry adapts to the changing consumer demands in the future. In my opinion, the corporate governance regime in Ireland is rebuilding its reputation internationally to the high standards expected and clearly evident in other regulatory bodies abroad including the FSA in the UK and in the European Union.

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Appendix I

6. (a) Survey

The following is the list of survey questions posed as part of my research into this dissertation with key stakeholders from (a) Insurers, (b) Internal Global Brokers, (c) Irish Brokers Association Compliance Officer representing IBA represented brokers in Ireland, (d) Central Bank of Ireland / Regulatory Body and (e) sample policyholder / consumer.

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Survey Questions?

1. In your opinion, where did Corporate Governance fail pre the financial crisis? What were the factors which led to Corporate Governance failures pre the Financial Crisis?

2. What does you company say about compliance, ethics and values in its mission statement etc?

3. How does your company communicate compliance, ethics values and vision to its employees?

4. How do you know if your employees are convinced that the company is serious about compliance?

5. How do you assess compliance and ethics risks in the company?

6. What position in the company provides oversight and leadership for governance issues?

7. What is the organisational structure of your governance / compliance team? Has it changed post the financial crisis?

8. Do you have an internal corporate governance code? What does it address and who receives it?

9. How do you distribute your Code of Conduct and confirm employees have received and understand it?

10. Can any requirements of the Code of Conduct or other policies be waived or overridden? If so, what is the process for doing so?

11. How often and by what methods does your company communicate the corporate governance values, ethics and vision of compliance?

12. Do you provide comprehensive training and conduct performance evaluations for each job role to ensure full compliance and ethics responsibility?

13. How do your employees raise issues regarding compliance and ethics?

14. How do you handle compliance and ethics issues that arise and indeed scrutinise compliance failures?

15. What is the process for determining which issues (both resolved and outstanding) are raised to the Board?

16. What on-going processes are in place to monitor the effectiveness of corporate governance in your company?

17. What's your view on Corporate Governance, post the financial crisis? How has it affected your company?

18. What lessons have been learned post the financial crisis for Corporate Governance?

19. What challenges does the new CBI Corporate Governance Code bring for your firm?

6. (b) Appendix II Sample Whistle Blowing Policy : XYZ Insurance Company Ltd

'XYZ Insurance Company Ltd is committed to the highest standards of openness, probity, integrity and accountability and seeks to conduct it's affairs in a manner commensurate with the highest international legal and ethical requirements and principles. The consequences of fraud, corruption and malpractice (financial or otherwise) perpetrated in the workplace or in connection with our business affect everyone from our shareholders right through to our customers.

'Whistle blowing' is a means of deterring wrongdoing, and of promoting transparency and good governance. It underpins self-regulation and maintains public confidence. Employees are frequently the first individuals to recognise malpractice and or fraudulent behaviour in the workplace. However, there is often a reluctance to voice your suspicions for a range of understandable reasons including fear of disloyalty to colleagues or employer and or fear of harassment or victimisation arising out of any disclosure. This policy aims to address this reluctance and to encourage you to advise us of any malpractice or wrongdoing within XYZ Insurance Company Ltd of which you are or have become aware.

We believe you should feel able to report any incidents of malpractice or wrongdoing without fear of recrimination provided any such reports are based on genuine concerns and made without malice or bad faith. The policy stresses that to raise concerns which are false or in bad faith will result in disciplinary proceedings. This Policy is intended to encourage and enable you to raise serious concerns within a controlled environment offering such safeguards and support as may be necessary to protect your personal integrity and, where possible, identity. We want you to know we will listen to you and take your concerns seriously.

If you would like to know more about this policy, please contact your HR Business Partner.

Scope of Policy

Matters to which disclosure may relate include;

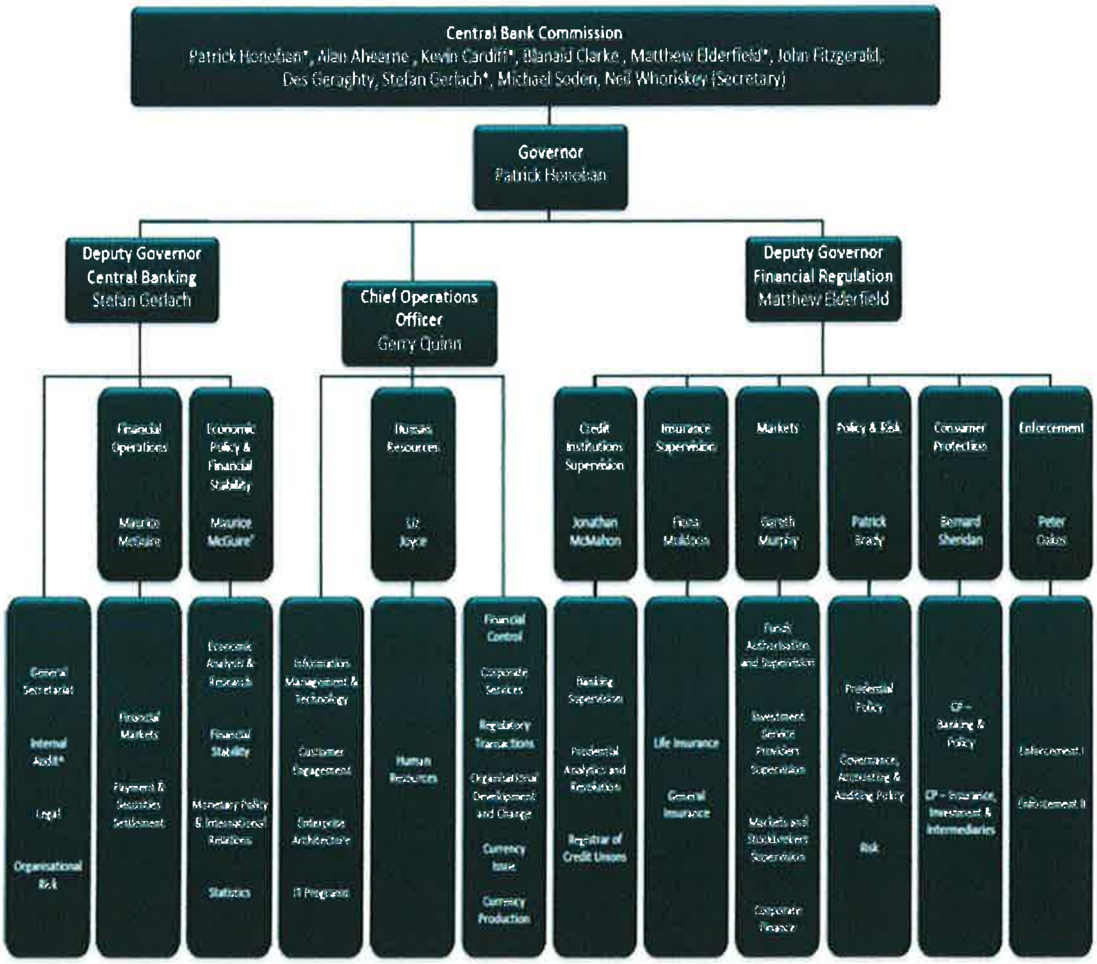
- Financial malpractice, impropriety and fraud.
- Failure to comply with legal obligations.
- Failure to comply with health and safety legislation.
- Failure to comply with local regulatory requirements.
- Failure to comply with local Anti discrimination requirements.
- Criminal activity.
- Improper conduct or unethical behaviour.
- Attempts to conceal any of the above.

This list is not intended to be exhaustive, any matters raised under the XYZ 'Whistle blowing' Policy will be considered seriously.

This Policy is not intended as a substitute or alternative for any other applicable local grievance or complaints procedure. You should use the grievance policy, rather than this policy to raise grievances about your own personal employment situation or allegations about poor treatment at work'.

6. (c) APPENDIX III Organogram : Central Bank of Ireland (Insurance Section Only) :

(Source : Central Bank of Ireland)



* Ex-officio
' Acting, pending appointment of new director
* Internal Audit Division reports directly to Governor and only reports to the Deputy Governor for matters of an administrative or budgetary nature

7. Bibliography

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Websites

http://www.knowledge.cii.co.uk

http://www.centralbank.ie

http://www.compliance@iba.ie