

Effective Board Governance

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Agenda

- Role of the Board
- Board Best Practices
- Boards of Life Insurance Companies

Role of the Board

The Role of the Board of Directors

- Serve as fiduciaries and act in the best interests of the shareholders of the corporation
- Hire, evaluate, incentivize, compensate and plan for the succession of the CEO
- Oversee the development of corporate strategy and its execution
- Monitor management's risk management process
- Oversee financial reporting and the auditor
- Establish the appropriate “tone at the top”
- Approve significant transactions

Source: Corporate Directors Forum, Governance Academy

The Role of the Board in Strategy

- Management and Board should jointly identify, discuss and agree on the company's vision and mission.
 - Actively participate/engage in discussion
- Management and BOD should establish procedural guidelines for the development of the company's strategy, identifying goals and expectations for the process.
 - Share expertise that is relevant to the development of the strategy
- Development of strategy should be a topic at every board meeting until strategy approved.
 - Set aside time at board meetings to discuss strategy
- Management should put approved strategy in a written document.
 - Encourage management to communicate the strategy
 - Ensure the employees understand it

Source: National Association of Corporate Directors and Corporate Directors Forum, Governance Academy

Board Best Practices

Board Best Practices



Source: Corporate Directors Forum, Governance Academy

Board Best Practices: Director Skills Matrix

Board Skills Matrix

The Board Skills Matrix below represents some of the key skills that our Board has identified as particularly valuable to the effective oversight of the Company and the execution of our strategy. This matrix highlights the depth and breadth of skills on the Board.

Experience, Expertise or Skills:

	Delzer	Delzer	Helday	Booth	Murphy	Shaw	Marshall	McClintock	Smith	Black	Tennissen
General Management & Business Operations											
CEO Experience											
CFO Experience											
CPO Experience											
Chief Technology Officer											
Product											
Chief of Security/Privacy											
Acquisition											
Chief Marketing Officer											
International Business											
Marketing Representative											
Regulatory & Compliance											
Customer Experience											
Legal/Regulatory											
Corporate Governance											

Source: Equifax Corporation Proxy Statement filed March 24, 2017, captured by Equilar, Inc.

Board Best Practices: Board Evaluations

- Important to ensure the board is functioning effectively at the following levels:
 - Board
 - Committee
 - Individual directors
- Outside facilitators can provide valuable perspective and an independent voice
- Who has accountability to ensure the evaluations are conducted with integrity and the results are used to make improvements?
 - Board Chair or Lead Independent Director
 - Chair of Nominating/Governance Committee
 - General Counsel/Corporate Secretary

Board Best Practices: CEO Succession Planning

- Primary Board responsibility – ensure the company has the best leadership talent today and in the future
 - Problem #1 - it's personal!
- Three Succession Planning Situations
 - Logical succession
 - Accelerated succession
 - Emergency succession

Source: Corporate Directors Forum, Governance Academy

Board Best Practices: CEO Succession Planning

- Link succession planning to strategy
 - Address evolving leadership skills needs
 - Consider adding succession planning as incentive target in CEO's compensation plan
- Develop policy & formal process
 - Internal candidates – identify & get to know
 - Outside advisor – establish relationship
 - Set process for replacement in varying scenarios
 - Assign responsibility for policy oversight
- Make succession a routine part of annual work plan

Source: Corporate Directors Forum, Governance Academy

Board Best Practices: Executive Session

- When should they be held?
 - Before or after board meeting (or both) as a standing agenda item
 - At meetings of full board and of each committee
- Who should be present?
 - Only independent directors
 - Occasionally advisors/legal counsel
- What should be covered during the session?

Source: Corporate Directors Forum, Governance Academy

Board Best Practices: Calendar of Work

	1 st Qtr Meeting	2 nd Qtr Meeting	3 rd Qtr Meeting	4 th Qtr Meeting
Mgmt Presentations:				
Financial	✓	✓	✓	✓
Operations	✓		✓	
Risk Management		✓		✓
Budget (operations & capital)				✓
Strategic Planning Discussion		✓		✓
Board Committee Reports	✓	✓	✓	✓
Governance Guidelines Review			✓	
Board Performance Reviews		✓		
Succession Planning			✓	
Proxy Review	✓			
Dividend approval	✓	✓	✓	✓
Ad Hoc (M&A, capital raise)				

Source: Corporate Directors Forum, Governance Academy

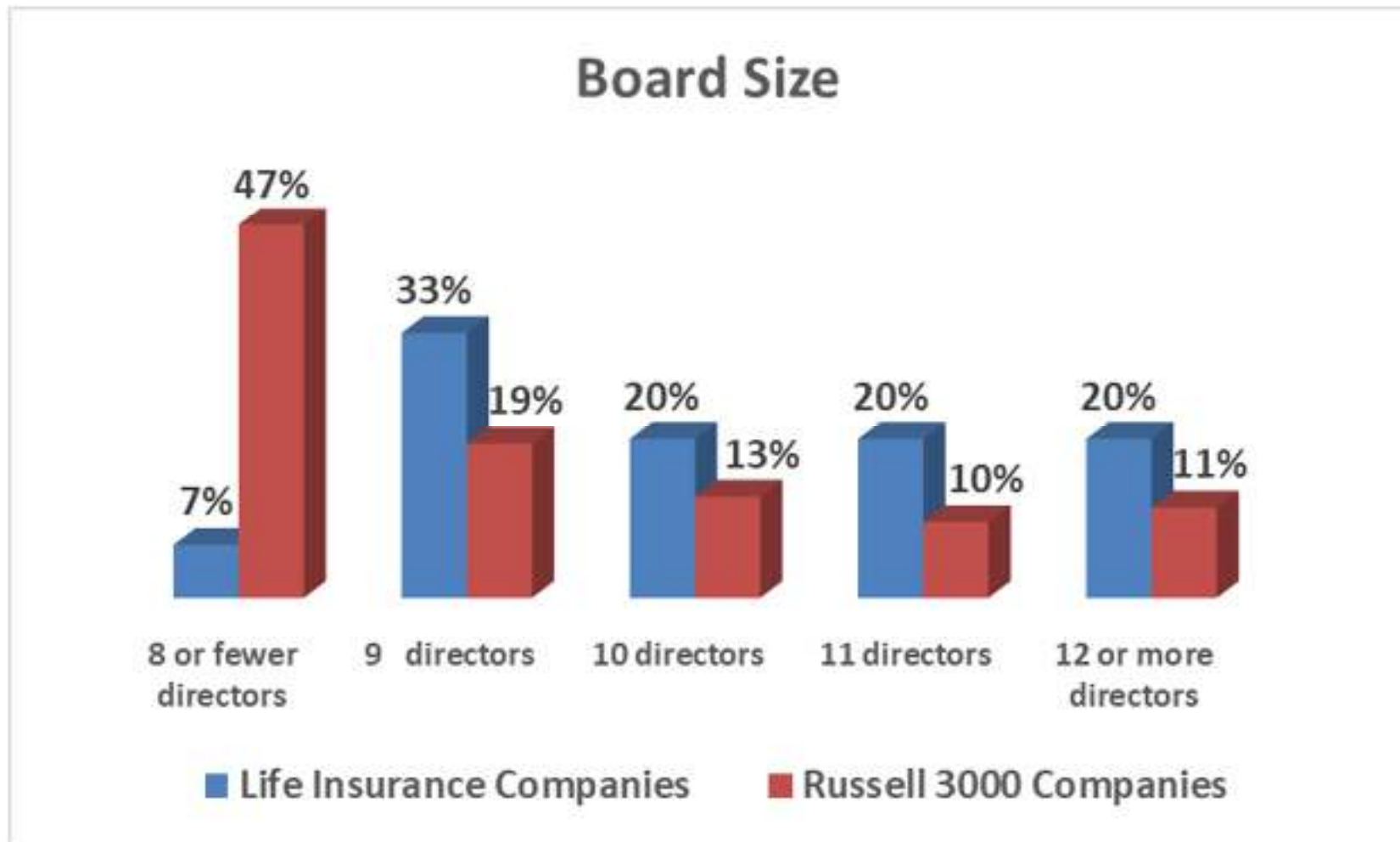
Board Best Practices: Meeting Materials

- Are they provided securely and in a timely manner?
 - Use of technology/web portals
- What should be included?
 - Financial statements (current and comparison to plan and prior year)
 - Management comments about financial statements & reasons for variances
 - Information regarding market share
 - Minutes of management committee meetings
 - Key media articles on the company and competition
 - Financial analysts' reports for the company and major competitors
 - Employee attitude surveys

Source: Corporate Directors Forum, Governance Academy

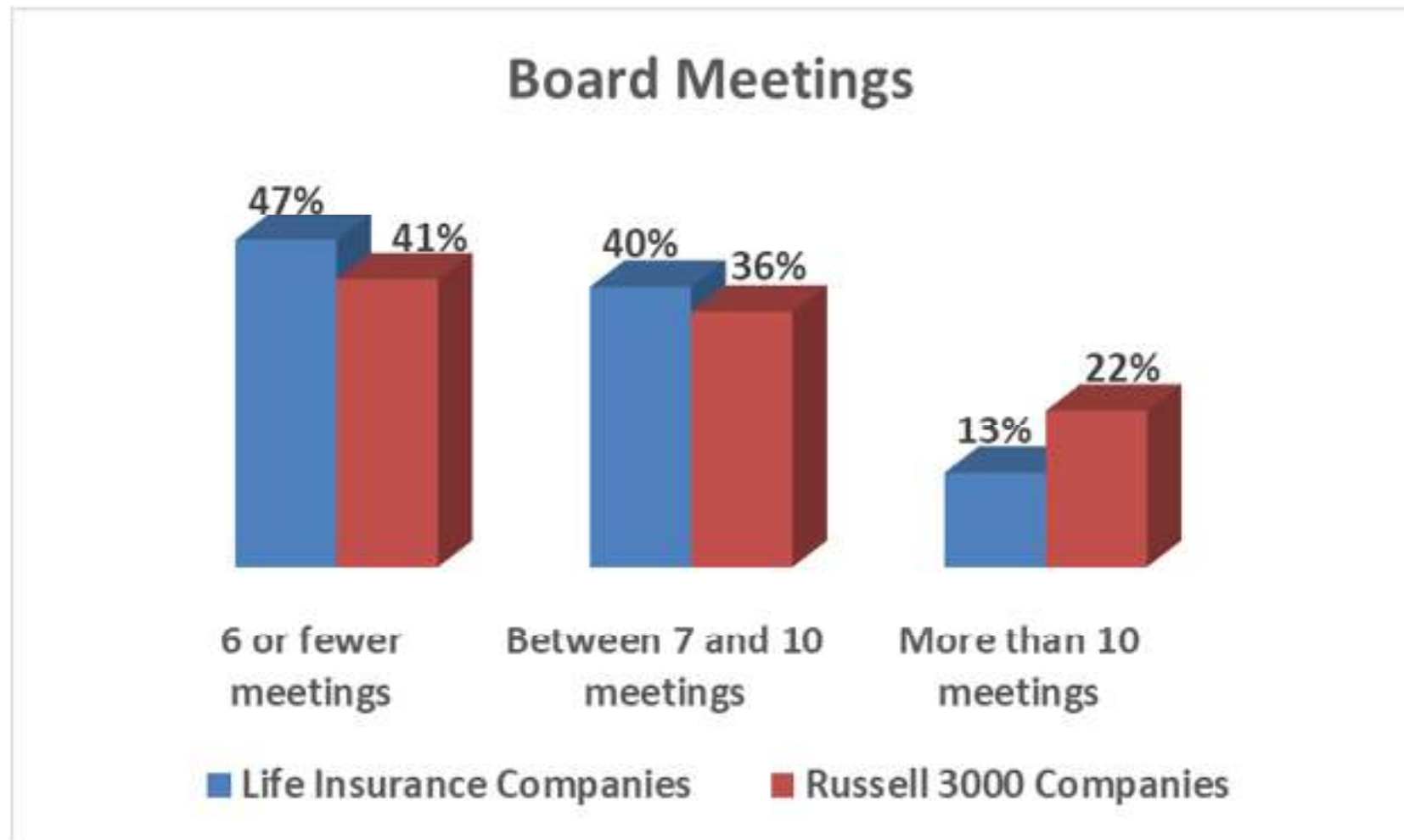
Life Insurance Boards

Life Insurance Boards



Source: Annalisa Barrett, Board Governance Research LLC

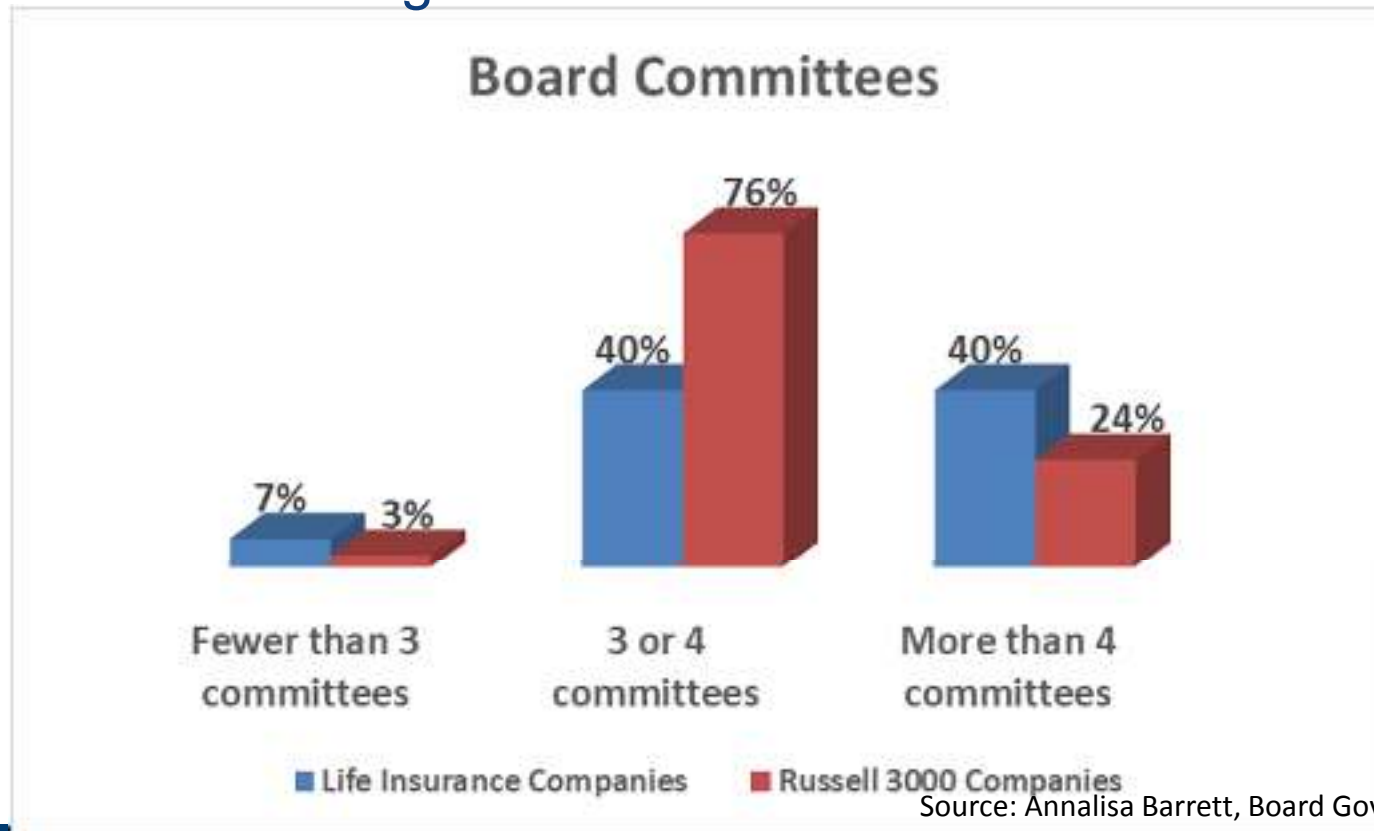
Life Insurance Boards



Source: Annalisa Barrett, Board Governance Research LLC

Life Insurance Boards

Life Insurance companies are more likely to have more than four board committees; common committees other than Audit, Compensation and Nominating/Governance are Executive and Finance



Differences for Smaller Companies

- Smaller companies tend to have:
 - Smaller boards, which can make it difficult to fulfill every desired skill set and demographic category in the board matrix
 - Fewer board committees, which often means that the whole board addresses some of the issues delegated to committees on larger company boards
- However, directors of smaller companies have the same fiduciary and strategic responsibilities as directors of larger companies

Questions?

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