

## Governance Committee Report to the shareholders at the OCIL Annual General Meeting - March 2010

The Governance Committee met three times during 2009, and accomplished the following:

1. The Joint Corporate Board Composition Study was reviewed and accepted by the committee and the results were reported to the board of directors. You may recall that at the 2008 Annual General Meeting I reported to you that as part of the Oliver Wyman Report, the committee was considering the need to establish a nominating committee in order to address the issues of diversity and a dwindling number of board nominees.

Our plan at the time was to research the composition of the board based upon Geographic location, Size of company, Industry sector and Skill Sets of board members to see if we indeed had achieved an acceptable level of diversity without establishing a nominating committee.

Furthermore, since the average annual turnover for the OCIL board is 2.6 people per year, if the directors did exhibit an acceptable level of diversity and experience, the committee felt it would be reasonable to expect that such levels would continue in the future.

At last year's Annual General Meeting I reported that the committee decided that additional work identifying the skill sets of the board members was required before it presented its final report to the board of directors later in the year.

I would like to take a moment to share with you some of the information used by the committee in dealing with this issue. Since the results were fairly consistent throughout the period of 1997 to 2009, I am only going to focus on 2009.

## **OCIL Diversity Factors**

**Geographic Location** - There are any number of ways that geographic location can be determined. Since many companies have assets located throughout the world, the committee chose to use headquarter location as the determining factor. The results are somewhat skewed due to the resignation of one director mid term. With the exception of South America and Africa, the board closely resembles the composition of the membership.

**Size of Company** - Company size was based upon unmodified gross assets. The committee looked at several ways of defining size, but in the end decided to apportion the membership into thirds representing smaller companies, midsized companies and large companies. Based upon those criteria we see that the board composition is somewhat overweight on large companies and underweight on smaller companies. There could be any number of reasons for this. For example the risk manager's staff size may limit his or her ability to take on extra work, the risk manager may not have management support to be a director or the risk manager may simply not have sufficient time to serve on the board.

**Industry Sector** - Industry sector data was grouped using the same criteria used by the OCIL underwriting department. Results show that the Pipeline/Utility/Mining sector is somewhat underrepresented, the Integrated sector is overrepresented and the PetroChem sector has no representation. The fact that the integrated section includes some Refining and Marketing and Exploration & Production/Chemical operations could account for some of this difference.

**Skill Sets of 2009 Board** - Board members were surveyed and asked to report all the areas where they were proficient. They were allowed to give multiple answers. The categories were predetermined although an "other" category was available. Not surprising, everyone felt they were qualified as a risk manager or had an insurance background. Although there was a heavy weighting towards finance, which included

accounting, treasury and CFO, the committee felt that there was adequate experience in all relevant areas.

Based upon these results, the committee recommended to the board of directors that a nominating committee not be established at this time. The committee will continue to monitor the composition of the board and report its findings on a biennial basis.

2. As many of you know, there is an established education program for new board members. The program is periodically reviewed by the Governance Committee to ensure that new board members receive the information they need to fulfill their duties as board members. Following last year's review, the committee recommended that more emphasis be placed upon governance related issues and that more practical guidance be given to new board members on proper conduct at board/committee meetings.
3. Finally, the committee reviewed and submitted to the board for their approval changes to the OCIL Bye-Laws. Recommended changes were either editorial in nature (grammatical corrections, clarifications); changes required in order to comply with the Bermuda Act; or changes which the committee believed were necessary to properly reflect good governance practice (increase the quorum requirements for a board meeting from 3 members to a majority of directors). These changes were accepted by the board and are now being submitted to you for your approval.