



Investment & Life Assurance Group
The Practitioner Voice

The Walker Review Secretariat
25 The North Colonnade
Canary Wharf
London E14 5HS

30 September 2009

Dear Sir/Madam

Walker Report: A review of corporate governance in UK banks and other financial industry entities

On behalf of ILAG, I have pleasure, in making a brief response to your report in July on the above subject.

ILAG is a trade body representing members from the Life Assurance and Wealth Management industries. ILAG members share and develop their practical experiences and expertise, applying this practitioner knowledge to the development of their businesses, both individually and collectively, for the benefit of members and their customers.

As a general overview, we believe that while the initial report contains a number of sensible observations and recommendations we would question whether it should, in its entirety, embrace all other financial institutions such as large insurance companies. After all, the main purpose of the review was to address governance failures in banks and it would be wrong to assume that weaknesses in risk management, board quality and practice and control of remuneration are manifest across the whole spectrum. Whilst we are prepared to accept that some of the thirty-nine recommendations may have wider application, care should be exercised to ensure that the review findings do not lead to, or be interpreted as, a blanket 'one size fits all' framework for all firms.

Just as reference is rightly made to the need for a critical balance in ensuring that stringent regulation does not inhibit business strategy, it is equally important any new requirements should be proportionate in relation to the size, scale and complexity of the company - be it a bank or other type of firm. Otherwise, the imposition of over-prescriptive procedures out of magnitude with the risk exposure of a particular enterprise will only add substantially to costs and ultimately be borne by consumers.

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In particular, chapter 7 on remuneration practices and some of the recommendations from 28-39 viz. 29 on the expansion of the role of the remuneration committee, 31 on highly paid executives, 33 on deferral of incentive payments, 34 on the requirement to hold shares, and 37 on pension rights seem to place an inordinate emphasis on the role of remuneration as far as non-banks are concerned. Whilst the need to avoid another financial crisis goes without saying, there is no evidence in the report which would justify an automatic 'read across' of the remuneration practices considered suitable for banks to other financial institutions.

Finally, in reverting to the chapters and recommendations affecting NEDs, you may wish to know that ILAG, as a trade association, actively encourages greater knowledge and awareness of industry issues by running workshops for non-executive directors of member firms' boards. A current list of ILAG members is shown on the annex.

I hope therefore that these views can be taken into account in producing the final report and recommendations in November.

Yours faithfully

Doug Thow
Technical Analyst

ILAG MEMBER FIRMS - 2009**ANNEX**

<u>AIG Life</u>	<u>AXA Sun Life plc</u>
<u>Barnett Waddingham LLP</u>	<u>BUPA Health Assurance</u>
<u>Canada Life Limited</u>	<u>Capita SIP Services</u>
<u>Cardif Pinnacle</u>	<u>Cologne Reinsurance Company UK Branch</u>
<u>Co-operative Financial Services</u>	<u>Defaqto Limited</u>
<u>Deloitte LLP</u>	<u>Ecclesiastical Insurance Group</u>
<u>Ernst & Young</u>	<u>Exeter Friendly Society</u>
<u>Family Investments</u>	<u>Friends Provident plc</u>
<u>Hannover Life Reassurance (UK) Limited</u>	<u>HCL Insurance BPO Services Limited</u>
<u>Just Retirement Limited</u>	<u>KPMG</u>
<u>Legal and General</u>	<u>Lincoln Financial Group</u>
<u>Logica plc</u>	<u>London & Colonial Assurance plc</u>
<u>LV=</u>	<u>Mazars LLP</u>
<u>Merchant Investors Assurance</u>	<u>MetLife</u>
<u>MGM Advantage</u>	<u>Milliman</u>
<u>National Australia Group - Regional branch</u>	<u>Navigant Consulting</u>
<u>OAC plc</u>	<u>Partnership Assurance</u>
<u>Pinsent Masons LLP</u>	<u>PricewaterhouseCoopers</u>
<u>Reliance Mutual Insurance Society Limited</u>	<u>RGA Reinsurance UK Limited</u>
<u>Royal Liver Assurance</u>	<u>Royal London Group</u>
<u>SCOR Global Life UK</u>	<u>Suffolk Life Annuities Limited</u>
<u>Sun Life Assurance Company of Canada (UK) Limited</u>	<u>Swiss Re</u>
<u>The Children's Mutual</u>	<u>Vertex Financial Services</u>
<u>Watson Wyatt Limited</u>	<u>Wesleyan Assurance Society</u>
<u>Zurich</u>	