

Krishnan, Sudesh

From: Krishnan, Sudesh
Sent: 15 November 2004 13:25
To: Krishnan, Sudesh
Subject: RE: CONSULTATION ON THE GOVERNANCE OF LIFE MUTUALS

From: "Jill Foulds" <jill.foulds@henleymc.ac.uk>
To: <paul.myners@myners.com>
Sent: Thursday, August 26, 2004 4:17 PM
Subject: RE: CONSULTATION ON THE GOVERNANCE OF LIFE MUTUALS

> Dear Paul
>
> Thank you for your email and the consultation document on the Myners' review
> of the governance of life mutuals.
>
> I would like to comment on the role of non-executive directors in a complex
> business such as life insurance. I should preface my comments by saying
> that I am an international authority on Corporate and Business Strategy and
> I have had 30 years of experience as a Strategy consultant with all kinds of
> businesses and numerous government bodies in Britain and overseas.
>
> Underwriting: The Black Box
> On Insurance I would say that underwriting (i.e. the assessment of risk and
> return) is a key strategic role. But the underwriter usually uses formulae
> to calculate for example the need for reserves. A few years ago I worked
> with Unum Provident - a merger of two companies in disability insurance.
> When Provident effectively took over Unum they put \$1bn into the business to
> strengthen their reserves. That reflected the difference between the
> formulae used by two different groups of underwriters. Unum was a mutual
> and Provident was a public company. This is public information (see Unum
> Provident Annual Report 2001/2002).
>
> The Need for Independent Advice
> However, to the independent directors of a mutual insurance company
> underwriting - which is a core strategic activity - is a black box. I
> believe the solution should be for independent directors to have the
> resources to commission their own consultants to review the assumptions
> which they are using and to give them independent advice.
> There might also be a case for establishing a Strategy Committee to sit
> alongside the Audit, Remuneration and Nomination Committees. On plc
boards
> strategy is usually the subject of an away-day. But this may not be
> appropriate for independent directors of mutual organisations. There are
> also other "complex businesses" where independent directors are likely to
> need help - for example in pharmaceuticals, information technology and
> investment banking. I have also had some experience in these areas.
>
> Board Composition
> A crucial point is how to ensure that the boards of mutual insurance
> organisations can attract directors with an appropriate strength of
> personality, length of experience in the senior management of large
> organisations, financial, marketing and technical skills. FTSE 350
> companies have problems attracting independent directors with appropriate
> skills and abilities to stand toe to toe with senior executives in large
> international companies.
>
> A recent Royal Society of Arts study revealed that non-profit

organisations
> had to rely on retired executives and professionals many of whom were not
> up-to-date with current developments. I will get into trouble with the
> Charities Commission but I believe
> 1. Executives should be on the Board- the chief executive and some other
> senior executives should be on the board.
> 2. Trustees must be paid - otherwise these boards will not attract
> executives who are up-to-date with new developments in marketing, finance
> and technology.
>
> I am sending in the mail for your information two recent articles which
may
> be relevant to your inquiry.
>
> The quickest way to contact the international academic community is
through
> the European Corporate Governance Network You will probably know Antonio
> Borges, Vice Chairman of Goldman Sachs International (email
> antonio.borges@gs.com) He is a board member of the ECGN and could arrange
> for them to publicise your enquiry on their website.
>
> With best wishes
>
> Yours sincerely
>
> Bernard
>
>
> -----Original Message-----
> From: Paul Myners [mailto:paul.myners@myners.com]
> Sent: 23 August 2004 10:48
> To: Jill Foulds
> Subject: CONSULTATION ON THE GOVERNANCE OF LIFE MUTUALS
>
>
>
> Email for Professor Bernard Taylor
>
> Dear Bernard
>
> I am carrying out a review of the governance of mutual life assurers for
> HMT. I hope you have already received a copy of the Consultation Document
> from HMT - if not I attach a further copy.
>
> I am keen to disseminate the Consultation Document as widely as possible
> among the academic governance community as it touches on some subjects
which
> are not solely of relevance to mutuals. The background to the Review is
set
> out in paragraphs 3.2-3.12 with 3.6, on page 12, touching on an area where
> your views are particularly welcome. This in turn is covered in questions
> 4, 5 and 6 on pages 22 and 23.
>
> Is there an organisation which covers the global academic community
interest
> in governance and if so do you have any advice on how I can ensure that
> those in this community receive the Consultation Document - responses are
> being sought by 17th September?
>
> With best wishes.
>
> Paul
>
> _____
>
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>
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> Chelsea
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> _____
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