



The Actuarial Profession

making financial sense of the future

7th Global Conference

Matters affecting the UK Profession

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Penrose Report

Criticisms of Actuarial Profession

- ❖ **Not enough challenge**
- ❖ **Woolly standards**
- ❖ **Conflicts of interest**
- ❖ **Discipline not proactive**
- ❖ **Relationship with auditors**
- ❖ **Policyholders reasonable expectations**

Morris Review

- ❖ **Consultation : June – September 2004**
- ❖ **Interim report : December 2004**
- ❖ **Further round of consultation**
- ❖ **Final report : Spring 2005**

Morris Review

Work in Progress

- ❖ **Standard setting**
- ❖ **Compliance monitoring / peer review**
- ❖ **Revalidation of competence**
- ❖ **New discipline procedure (completed)**
- ❖ **New education syllabus (completed)**

Morris : Interim Assessment

- ❖ **Market for actuarial services**
- ❖ **Models for regulation**
- ❖ **Reserved roles**
- ❖ **Public Interest and Accountability**
- ❖ **Education and CPD**
- ❖ **Standard setting**
- ❖ **Scrutiny and Discipline**

Market for actuarial services

- ❖ **Market concentration**
- ❖ **Market testing**
- ❖ **Scrutiny of performance**
- ❖ **Challenging advice**

Models for regulation

- ❖ **Model A : self-regulation**
- ❖ **Model B : independent oversight**
- ❖ **Model C : statutory regulation**

Reserved roles

- ❖ **Continue for pensions and life assurance**
- ❖ **With-Profits Actuary : “less clear-cut”**
- ❖ **General Insurance : undecided**

Public Interest and Accountability

- ❖ **Whistle-blowing**
- ❖ **Consumers' organisations views**
- ❖ **Accountability to regulators, profession.....**
- ❖ **.....and to public ?**
- ❖ **Conflicts of interest in pensions**
- ❖ **Non-reserved roles**

Education and CPD

- ❖ **2005 changes “well-formulated”**
- ❖ **Exams and training**
 - **more University based**
 - **Australian model praised**
- ❖ **CPD : major overhaul needed**
- ❖ **Monitoring CPD : enforcement of compliance**
- ❖ **Oversight of syllabus, exams and CPD**

Standard setting

- ❖ **Proposals for ActSB welcomed**
- ❖ **Key issues to be resolved**
- ❖ **More independence ?**
- ❖ **Funding ?**
- ❖ **Oversight by Financial Reporting Council ?**

Scrutiny and Discipline

- ❖ **Peer review : welcomed but key issues remain**
 - life assurance – overlap with audit
 - pensions – 4 options
 - GI – depends on reserved role
- ❖ **Discipline : new procedure “suitable”**
 - accountability
 - source of complaints

Developments within the UK Profession

- ❖ **How we Act**
- ❖ **Peer Review**
- ❖ **Revalidation of Professional Competence**
- ❖ **Conflicts of Interest**
- ❖ **Independent Actuarial Standards Board**
- ❖ **Scrutiny Committee**

How we Act

- ❖ **Society's attitude to Professions has changed**
- ❖ **"Trust me" no longer accepted**
- ❖ **Concept of self regulation – less convincing**
- ❖ **Openness, transparency, accountability**
- ❖ **What does Profession need to do?**
 - Involve more independent non-actuaries
 - Be more outspoken when we have concerns
 - Advance initiatives at greater pace

Peer Review

- ❖ **Established practice of many actuaries**
- ❖ **Profession committed to peer review**
- ❖ **Work to be peer reviewed**
- ❖ **Need to set out objectives and standards**
- ❖ **Quality just as important**

Revalidation of Professional Competence

- ❖ **Society now demands evidence of continuing competence**
- ❖ **Morris Review Team have asked specific questions**
- ❖ **Professional competence task force**
- ❖ **Based on annual subscription renewal**

Revalidation of Professional Competence (cont/d....)

- ❖ **Fellows and associates who are “working”**
- ❖ **New Actuarial Profession’s practising certificate**
- ❖ **CPD**
- ❖ **Professionalism course**

Conflicts of Interest

- ❖ **Guidance in PCS needs expanding**
- ❖ **PAB has under review**
- ❖ **Profession has taken legal advice**
- ❖ **Potential conflict -vs- real conflict**
- ❖ **Terms in client appointment letter**
- ❖ **Informed consent of both parties**
- ❖ **Confidentiality -vs- conflict of interest**

Independent Actuarial Standards Board

- ❖ **Changing expectations and demands of society**
- ❖ **Independence from governing bodies**
- ❖ **Increasing “buy-in” from members of Profession**
- ❖ **Principles accepted by Joint Councils**
- ❖ **Different models**

Independent Actuarial Standards Board (cont/d...)

- ❖ **Completely external -vs- within Profession**
- ❖ **Covers conduct and ethics as well as technical**
- ❖ **Criteria for good actuarial standard**
- ❖ **Lay involvement**
- ❖ **Scrutiny Committee**

Independent Actuarial Standards Board (cont/d...)

- ❖ **Morris review**
- ❖ **FRC**
- ❖ **Oversight body**
- ❖ **Truly Independent Standards Board**
- ❖ **Involvement of actuaries**
- ❖ **Reserved roles**