



# 13<sup>th</sup> Global Conference of Actuaries 2011

## *Emerging Risks... Daring Solutions*



Professionalism and actuarial education

Professionalism and actuarial oversight



Jon Thorne

Project Manager – Financial Reporting Council

United Kingdom

February 20 – 22, 2011

# Why independent oversight?

- ◉ Recommended by the **Morris** Review of the UK Actuarial Profession (UKAP)
- ◉ UKAP **retains** primary responsibility for regulating its members
- ◉ Independent **public interest** perspective
- ◉ Supports mutual efforts to enhance public respect for and **confidence** in UKAP and its members
- ◉ FRC has **expertise** in overseeing regulatory activities of other professional bodies
- ◉ Actuarial issues are central to corporate **governance** and reporting (FRC's aim)



# How independent oversight works

- Board for Actuarial Standards (BAS) sets **technical** actuarial standards (TASs)
- Professional Oversight Board (POB) undertakes annual programme of work and may make **recommendations**
- UK Actuarial Profession (UKAP)
  - sets **ethical** and conduct standards; administers education, CPD, compliance and discipline
  - **requires** members to observe TASs
  - **implements** POB recommendations or gives reasons for not doing so on basis that these will be published
  - **cooperates** with FRC by sharing information, early notification of proposals, cases and issues which may require action



## **Public interest investigations announced by the Accountancy and Actuarial Discipline Board (AADB)**

- conduct of a member in relation to audits of the financial statements of a life assurance society
- conduct of members in connection with an employer substitution in respect of an occupational pension fund
- conduct of members in relation to the provision of advice to prudential regulators in respect of an insurer

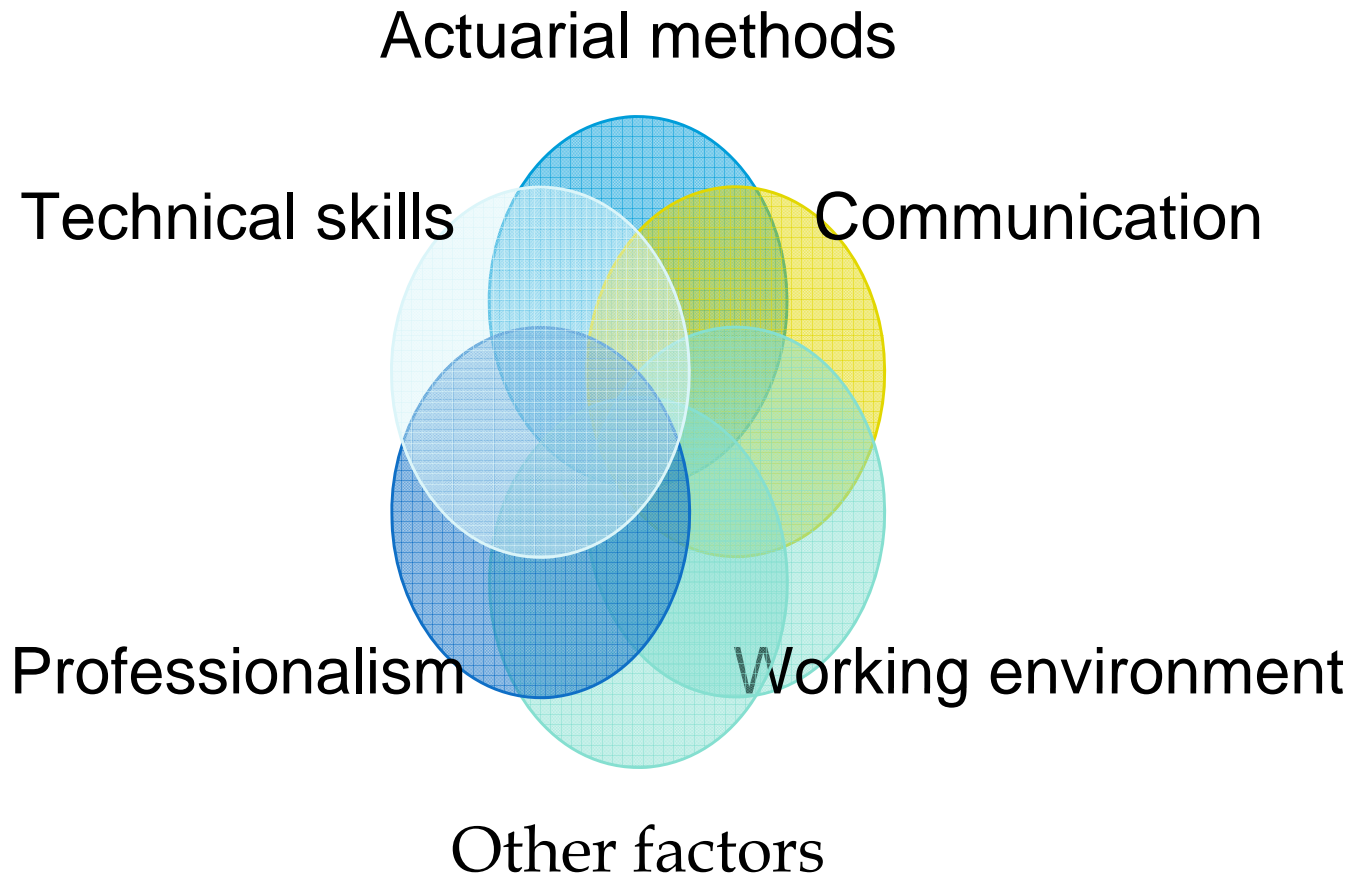


# FRC's (actuarial) strategic objectives

- ◉ *Actuarial practice*: users of actuarial information can place a high degree of **reliance** on its relevance, transparency of assumptions, completeness and comprehensibility
- ◉ *Professionalism*: clients and employers of professionally qualified actuaries and of actuarial firms can rely on them to act with **integrity** and **competence**, having regard to the public interest



# Drivers of actuarial quality



[www.frc.org.uk/pob/actuaries/drivers.cfm](http://www.frc.org.uk/pob/actuaries/drivers.cfm)

# Reliability and usefulness of actuarial methods

- Effective use of models, recognising limits
- Address user needs, proportionate to benefits
- Model reproducibility, data checks
- Robust criteria for selecting assumptions, exploring risk and uncertainty
- Effective and continuing review
- Outcome-focused technical standards



# Technical skills of actuaries

- Range of quality applicants, selected on merit
- Clarity about user expectations, including:
  - *knowledge of theory and practice, business*
  - *proficiency in actuarial and non-actuarial methods*
  - *dynamic understanding of client business models*
- Comprehensive initial training, broad exposure, supervised demonstration of skills
- Continuing Professional Development: practice, updates, validation, challenge





# Working environment

- Provides professional leadership
  - *culture of openness and learning from mistakes*
- Actuarial quality is valued, invested in and rewarded
  - *promotes professional development*
- Commercial considerations don't have negative effect on quality
- Effective arrangements for controlling and monitoring actuarial quality
- Procedures for managing conflicts



# Other factors

- Clients recognise responsibility for taking decisions based on actuarial advice
- Effective external review mechanisms
- Stakeholders support and recognise use of actuarial expertise
- Transparent arrangements for dealing with professional shortcomings
- Regulatory environment for actuaries focuses on drivers of actuarial quality



# Ipsos MORI (UK) survey: confidence

Issue View	Reliability of actuarial information	Integrity of actuaries	Competence of actuaries
Insurance directors	2009 76%	92%	88%
	2010 89%	97%	86%
Pension trustees	2009 86%	98%	96%
	2010 80%	96%	91%
Actuaries	2009 92%	100%	100%
	2010 96%	94%	96%



# In summary:

- ◎ *Oversight of the UK Profession*
  - Self-regulation subject to independent oversight
- ◎ *Drivers of actuarial quality*
  - Broad agreement on principal drivers & indicators
- ◎ *Assessing impact*
  - Increased confidence in some areas, but not all

[www.frc.org.uk/pob/actuaries/drivers.cfm](http://www.frc.org.uk/pob/actuaries/drivers.cfm)  
[www.frc.org.uk/press/pub2442.html](http://www.frc.org.uk/press/pub2442.html)